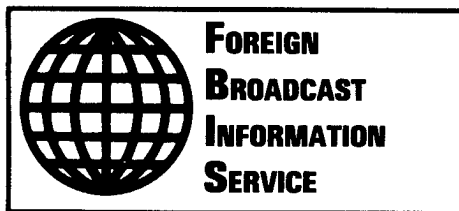


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31 MAY 1989



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GENERAL

Correspondent Comments on Human Rights Issue in Relations With U.S.

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[Editorial Report] Shanghai SHIJIE JINGJI DAOBAO in Chinese of 27 Mar 89 on p 3 carried an article by Washington correspondent Pan Muping [3382 1970 1627] on the human rights issue in Sino-U.S. relations. Written in the wake of the Fang Lizhi incident, the article points out the U.S. executive branch's limited amount of maneuverability on the human rights issue and presents uncritically, the views of a well-known American China scholar.

The author notes that recent sparring between the United States and China over human rights has caused great concern on both sides. Citing the 16 March resolution that the U.S. Senate adopted in the wake of the Bush visit and the Fang Lizhi incident, Pan expressed concern over human rights violations in Tibet and the subsequent protest China's Ambassador Han Xu lodged with the acting assistant secretary of state for East Asian and Pacific affairs against the Senate resolution and U.S. "gross interference" (quotation marks in source) in China's internal affairs. The correspondent speculates that the great pains taken by the White House to absolve itself of responsibility for the Fang Lizhi incident, to limit the damage, and to keep the human rights issue from becoming a major problem in bilateral relations were done out of consideration for the great strategic benefit the United States obtains from its relationship with the PRC.

The author notes the constraints on the White House's ability to act independently where the human rights issue is concerned. It cannot ignore the pressure exerted by Congress and by public opinion on certain issues. As Pan sees it, in foreign affairs dealings, contact with "those who hold different political views" (quotation marks in

source) is in reality expressing concern over human rights. There is no substantive difference between Reagan's meeting while in the Soviet Union with "those who hold different political views" and Bush's invitation of Fang Lizhi. If Reagan has done this and Bush now does not, Bush will be "insulting" (quotation marks in source) the Congress, particularly because American public opinion, Pan says, now views the human rights problem to be worse in China than in the Soviet Union.

It seems, Pan observes, that human rights has already become a well-established principle in U.S. foreign policy toward socialist countries. The question for the U.S. government is not whether to raise the human rights issue but how.

Pan mentions discussions he had with a Brookings Institution China scholar on why the human rights issue has become an increasing challenge to Sino-U.S. relations and reiterated the scholar's recommendations. The scholar recommended that the U.S. government: 1) Look at the overall situation in China and the general trend. Reform may be halted temporarily or even moved backward in some aspects but the situation in China is unquestionably better today than it was 5 or 10 years ago. At the same time, when evaluating the situation in China, one must not just look at one aspect nor rely on any one individual's assessment of the situation. 2) Be careful how an issue is raised; there are many ways to express American concern over a given issue.

The scholar's recommendations to the Chinese government were: 1) When evaluating the U.S. position, one should draw a distinction between the White House and the Congress as well as between the press and social organizations. 2) Political reform is the key to solving problems in China. Political pluralism is inevitable in socialist countries and in the process of modernizing, China cannot avoid becoming more pluralistic, politically.

NATIONAL AFFAIRS, POLICY

Implementation of Contract System

40060591 Beijing JINGJI GUANLI in Chinese
No 2, Feb 89 pp 17-19, 16

[Article by Chu Qiugen 5969 4428 2704: "Several Problems in Implementing the Contract System"]

[Text] The contracted management responsibility system, which is an important form of separation of ownership from management, has been commonly adopted by enterprises. However, we still have to do a lot of work in coordinating, perfecting, deepening, and developing the contract system.

The Contract Relationship Between the State and Enterprises

To correctly establish the contract relationship between the state and enterprises is an important precondition for ensuring smooth implementation of the contracted management responsibility system.

It will at least need the following well thought out methods and coordinated measures.

I. The development stage of enterprises and their products should be studied and evaluated.

At present, this type of situation will often appear: Due to the fact that some enterprises were established a long time ago and they have not implemented technological renovation in time, their factory buildings have now become obsolete, their equipment is old, their contract base figure is very high, and their development has declined. Some enterprises have been newly established, or have just increased investment in technological innovation, their factory buildings are in good conditions, their equipment is advanced, their contract base figure is low, and they have great development potential. As the demand elasticity of the products of some enterprises is low, these enterprises have been prosperous for a long time. There are also other enterprises whose products are at a developing stage, therefore they have much room in expanding their production and market. However, when the demand elasticity of the products is high, or when their products are at a declining stage, such enterprises are strongly affected by the market. When enterprises and their products are at different stages of development, the problems encountered are different. We cannot artificially change this situation. However, we should correctly study and understand it, correctly evaluate it, and take it as an important factor for determining the contract base figure and the targets which a factory director has to fulfill within his term of office. This type of evaluation can help us to overcome the problem of rigid uniformity, and to correctly evaluate the actual results of enterprises.

II. A system for evaluating pre-contract assets and pre-contract management situation should be established.

At present, a contract includes the term of increasing the value of the assets of an enterprise; and when a factory director's term of office expires, the assets of the enterprise should be audited. In reality, successful fulfillment of contract base figures depends on the real efforts contributed by an enterprise and its factory director, but is also affected by the changes in various conditions and the changes in the method of calculation. If the assets and the management situation of an enterprise has not been correctly and reasonably evaluated before a contract of contracted responsibility is drawn, and if a consistent calculating method has not been used, the increase in the value of assets achieved within the contract period cannot be correctly shown, and the auditing of the amount of assets when the term of office of a factory director expires cannot be correctly carried out. For instance, changes in commodity price, in the method of evaluation, in the method of calculating depreciation, in the depreciation rate, in the structure and amount of stock at the beginning and the end of the contract period, in the method of apportionment, in the method of withdrawing fees in advance, and so on will affect the asset of an enterprise, and its management results. In this way, when the contract target is adversely affected by the management situation of an enterprise, it will artificially increase or decrease its management results through these methods. Therefore, a system should be established to analyze and evaluate the degree of influence of the above-mentioned factors on the management results of an enterprise.

III. A competitive mechanism of inviting tenders for contracting management targets of enterprises should be introduced and formed.

At present, most of the contracts of responsibility signed between the state and enterprises are concluded under the situation where there is no competitor competing for the contracts. In order to build up the contract relationship between enterprises and the state, a neutral and authoritative examining committee formed by enterprise management experts should be established. This committee should invite tenders within and outside an enterprise in accordance with the results of evaluation on the two aspects mentioned above. The people bidding for the tenders should give their aim for bidding and the measures proposed for realizing their aims. This committee should examine and appraise these people one by one in a serious and fair way, and it should then pass the examination and appraisal results to responsible government departments, and the results should be taken as the basis for inviting tenders. This method can enable talented people to show their capability, and can also really achieve the best results of inviting tenders for responsibility contracts.

IV. The responsibility, power, and benefit of the state, enterprises, managers, and staff and workers should be made clear when a contract is concluded.

When an enterprise has adopted the contracted management responsibility system, a new relationship of responsibility, power, and benefit between the state and the enterprise, that between the enterprise and its managers, and that between the managers and the staff and workers of the enterprise will be formed. Therefore, it is very essential to make clear the policy regarding the following questions—the degree of scope of administrative intervention by government organizations in the enterprises after they have adopted the contract system, and the reform and transformation of the functions of government organizations when enterprises have adopted the contract system; how should the laws of the country cope with the contracted management responsibility of enterprises; the management decision-making power enterprises should have; the meaning of enterprise managers, their scope of power, their form of organization, their responsibility for the management situation of their enterprises, and corresponding benefits of managers; the method for transforming the system of contracting by managers to the system of contracting by all members of an enterprise and the implementation of this transformation; the equal political relationship between the manager and the staff and workers of an enterprise, and the linkage and division in management responsibility, power, and benefit between the manager and the staff and workers of an enterprise; the development trend of the contracted management responsibility system; and so on.

Decomposition and Realization of Contracting and Management Targets

How to transform the system of contracting by the factory director of an enterprise to the system of contracting by all members of an enterprise when the contract relationship between the state and enterprises is defined is a question we have to explore. At present, many enterprises are planning to implement and are implementing the within-enterprises contracted responsibility system. It is not an easy task to define the contract main body within an enterprise on the basis of reality, and to choose a contracting form. This writer holds the view that enterprises in general can form a crisscross within-enterprise contracted responsibility system through the implementation of the contract system of extended quotas, and the system of contracting by different levels within an enterprise.

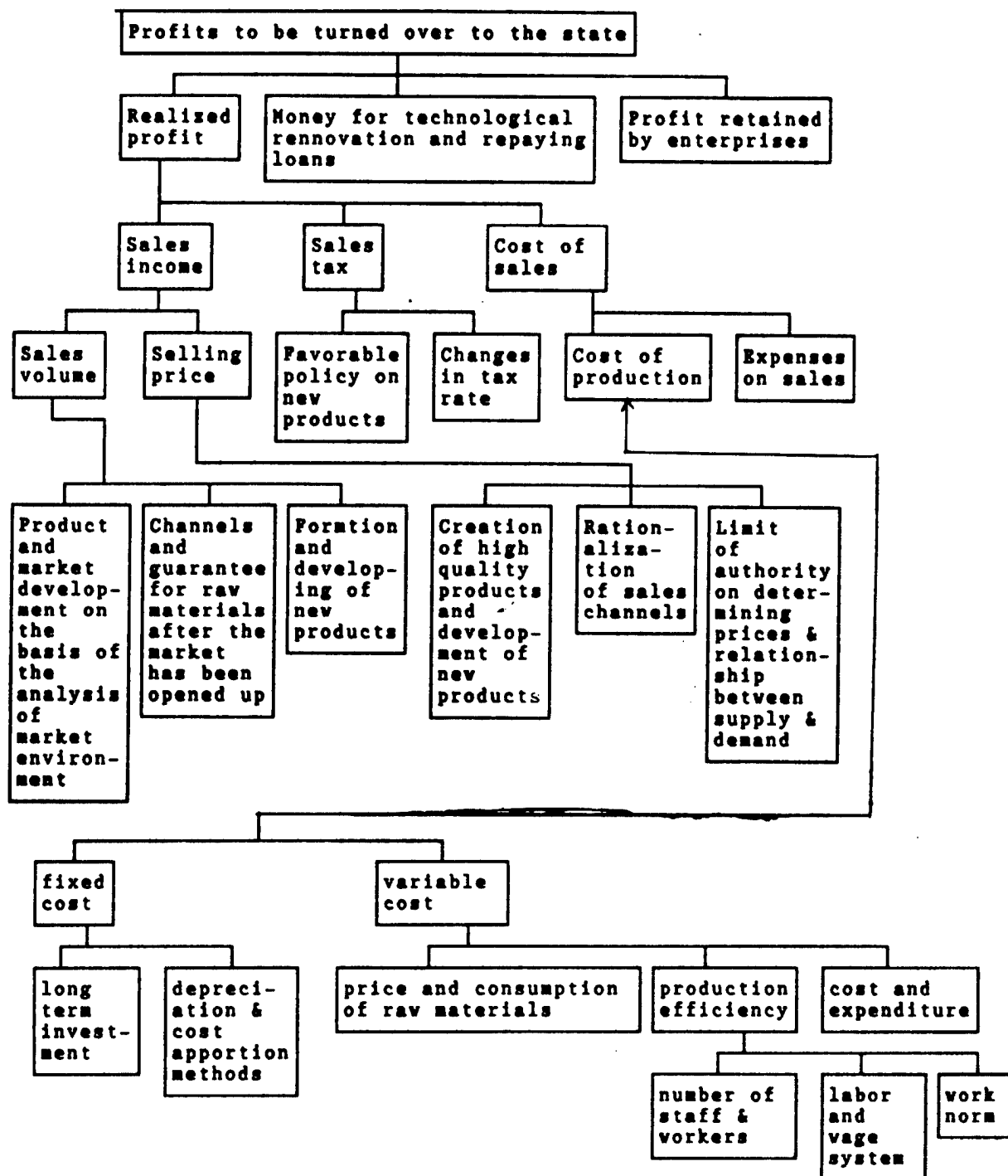
The so-called contract system of extended quotas means: To extend the contracted quotas an enterprise should fulfill to other related quotas, to find out the factors that will determine and affect these quotas, to study corresponding countermeasures, and to implement and ensure the adoption of the contracting methods that will be adopted by the contracting departments of an enterprise. At present, enterprises in general will contract with

the state the amount of profit they have to turn over to it. The profit quota can thus be extended to a series of related quotas in the way shown in the diagram below:

The extended quotas and related factors shown in the diagram can be contracted by divisions of various departments of an enterprise. In this way, the realization of the contracting targets of an enterprise can be ensured. It has to be pointed out that due to the fact that the contracting targets of an enterprise will involve the extended quotas and related factors shown in the diagram, the contracting of the quotas by the divisions of various departments of an enterprise should be unitarily coordinated and balanced, so as to ensure realization of the contracting targets of an enterprise. At the same time, a mutual constraining relationship should be established to guard against the failure in realizing the contracting targets of an enterprise, which may be caused by the unfulfillment of the contracting target by some departments. In order to mobilize the positiveness of various departments in implementing internal contracting, we have to define corresponding contracting forms, contracted quotas, and the target value in accordance with the business nature and characteristics of different departments, and should also link the contracting forms, contracting quotas, and the target value with the benefits of the staff and workers of a department.

The above-mentioned points can be taken as the internal contract system to be adopted at the enterprise level. However, it is not sufficient, and we should at the same time implement the system where the work shops and teams and groups of an enterprise will have contracted responsibility. Ordinary large and medium sized enterprises in general will have three levels—the factory level, workshop level, and the team and group level.

Due to the differences in the products of an enterprise and forms of manufacturing, the contracting between the production workshops of an enterprise and the enterprise itself should be in different forms. Generally speaking, for workshops whose responsibilities are defined in accordance with the principle of production targets, their output volume or the profit achieved by them can be taken as the contracting quota, and they can conduct independent economic accounting to calculate their profit and loss. For workshops whose responsibilities are defined by the principle of technology, and require many categories of components and parts, the situation will be more complicated. If they want to conduct independent economic accounting to calculate their profit and loss, they have to create various essential conditions in the aspects of fundamental management, calculation of the price of components and parts, account settlement methods, modernized management means, and so on. Between workshops which process different parts and between processing workshops and assembling workshops, there is a problem of price of transfer and difference in investment/output ratio. Under such circumstances, the workshops of an enterprise can only settle the profit accounts internally and their profit cannot be



directly linked with the profit achieved by the enterprise. Therefore, an internal and external "dual-track" accounting system should be adopted. We should also devise a corresponding method that can match these two "tracks." However, this will involve the question of the reform of the state financial and accounting system and coordination with reforms outside an enterprise.

When internal contracting within an enterprise is being organized, a mechanism for encouraging the contractors and staff and workers should be included, which should contain a pressure aspect and a motivation aspect. At the same time, the limit of authority of the contractors should be correspondingly expanded, and essential conditions for them to achieve their contracting targets should be created. Therefore, in implementing the within-enterprise contract system, the decision-making power of the workshops and departments of an enterprise should be correspondingly expanded. However, the relationship between an enterprise on one hand and its workshops and departments on the other is different from that between the state and enterprises. The continuity and cooperativity of the workshops and departments of an enterprise in production and management is very strong. Therefore, the relationship between them should not be the same as that between the state and enterprises. The power than should be handed down to lower levels should be resolutely handed down, and the power that should be centralized should be resolutely centralized. Besides, in order to enable an enterprise to have vitality in implementing the within-enterprise contract system, a competitive mechanism should be introduced. Without competition, the within-enterprise contract system will only be a stagnant one. Therefore, the method of inviting tenders for contracts is an important condition for handling well the within-enterprise contract system.

Assessment of the Results Achieved in the Contract Period, and Rewards and Penalties

How to assess the results achieved by an enterprise and its managers and after the completion of, the contract period, and how to reward and punish them accordingly is also an issue that we should urgently study and solve.

First, the basis of assessment, the present practice is that the contract base figure is fixed, and after this the fixed proportion method is used to calculate the profit and the results achieved by an enterprise in the contract period. This will definitely play a role in preventing the emergence of the situation of "whipping the fast ox" and in mobilizing the enthusiasm of an enterprise. In evaluating the development and management results achieved by an enterprise in the contract period, it is obviously insufficient if barely fulfilling the contract base figure is taken as the achieving of the contracting targets. We should judge from different points of view, and should use different methods of comparison to assess the results

achieved by an enterprise in the contract period. We should proceed from the reality of different enterprises, and should not adopt the practice of rigid uniformity.

Second, areas of assessment the contract period, the development stage of an enterprise and that of its products should be studied and analyzed, and its assets and its original management results should also be evaluated. When the contract period is completed, the same kind of evaluation should also be conducted, and all the factors mentioned above will be taken as the contents to be audited at the time when a factory director has completed his term of office. At the same time, we should analyze and evaluate the internal and external conditions which have enabled him to achieve his contracting targets, the ways through which he has achieved the targets, and the consistency and legitimacy of the methods adopted in calculating the management results; and these should be taken as the essential contents, or important references, on which the results of contracting will be assessed.

Third, assessment of results achieved in different stages. At present, the contract period in general is five years; and the trend is that the contract period will become longer in the future. This is of course advantageous to enabling the behavior of an enterprise and its factory director to become long-term behavior. However, it seems that a contract period of 5 years is too long as the results of contracting can only be seen after 5 years. For enterprises that have achieved good results, it is difficult to decide whether they will achieve good results every year or not. If the management results of a contractor cannot be recognized in time, his enthusiasm will be hurt. For enterprises that have achieved poor results, it is difficult to terminate the contract before the contract expires; and by the time when the contract period is completed they will perhaps be in a worse situation. Therefore, apart from implementing comprehensive evaluation at the end of the contract period, the contracting situation and development trend of an enterprise should also be evaluated by authoritative consultation organizations on an annual basis or in different stages. In this way, some necessary measures can be taken under special circumstances, and the results of this type of evaluation can be taken as the basic materials for the comprehensive evaluation that will be carried out when the contract period is completed.

Fourth, rewards and punishment to be received by a contractor. At present, the rewards and punishment a contractor will receive are not clearly stated in a contract. In general, it is stated in a contract that a contractor will be rewarded if he can fulfill the contracting targets, and otherwise he will be punished. It is difficult to enforce these terms. It is suggested that the amount of rewards and the punishment a contractor will receive should be stipulated and determined in accordance with the degree of fulfillment of the contracted targets.

If the manager of large and medium sized enterprises is a group of people, the scope and their management responsibility should be defined, and different proportions of rewards and punishment should be defined in accordance with their post. At present, the manager of an enterprise is neither rewarded nor punished. If the factory director of an enterprise is rewarded by his superior he has to use an amount a hundred times the reward he received to reward the people under his management. Otherwise, it will be difficult for him to operate in the enterprise. No one has been punished because no rewards will be given to contractors who have achieved good results, and it is thus difficult to punish those who have made mistakes in their work. This situation should be improved.

PROVINCIAL

Shaanxi Cotton Production Declines; Cotton Textile Industry Grows

40060499c Xian SHAANXI RIBAO in Chinese
9 Mar 89 p 2

[Article by Hao Li 6787 0448, Liu Jianghe 2692 3068 3109, and Wu Xinpu 0702 2450 3877: "Shaanxi Cotton Production Showing a Trend of Decline, Cotton Mills Are Crying for Materials"]

[Text] Shaanxi Province is one of the national cotton textile bases, and over the last few years the textile industry has developed very rapidly provincewide, spindles have increased from 1 million to the current number of 1.3 million with the province's textile industry output value totaling 3.5 billion yuan which accounts for about 20 percent of the industrial output value for the entire province. Over 500 million yuan of profit from textiles is turned over the state, accounting for 18 percent of the province total and its foreign exchange earnings from exports account for over 60 percent of the total foreign earnings for the province. This makes it an important source of income and an economic mainstay for Shaanxi. This rapid development of the cotton textile industry has created some distinct contrasts, such as a decline over the last few years in the primary raw material needed for cotton textiles—cotton. The province's cotton spinning capacity requires an annual volume of 2.7 to 3 million dan of cotton but the current amount purchased is only 650,000 dan and taking out the cotton wasted in processing, the portion kept by the producing areas, cotton used for wadding and medical use, national defense, and other uses leaves only somewhat over 100,000 dan to be supplied to textile mills which is an insufficient amount of "feed" for one of the five large state cotton mills for even two months. Because the cotton situation nationwide is in a slump, of the more than 800,000 dan of cotton the Ministry of Commerce planned to have shipped into Shaanxi, only somewhat over 500,000 dan has been contracted with producing areas and a large portion has not been shipped in. Since the end of last year cotton spinning mills within the province have asked for emergency help one after another. This

"having no rice to cook" leads to the phenomenon of equipment and vehicles being shut down growing more serious by the day, four of the six pneumatic textile machines at the Shaanxi No 10 Cotton Mill have been shut down. Some large cotton textile mills that take in and send out huge quantities are adding fuel to this fire, prepared materials have been used up and they are beginning to mobilize their final reserves. The managers, Party committee secretaries, and labor union chairmen of these mills are personally going out to contract materials. In addition to this, 62 small cotton textile mills have been started locally, creating a 110,000-spindle production capacity that has further intensified the problems in production and marketing. This shockwave not only endangers the cotton textile industry but also involves financial income, foreign trade exports, and market supply. With a situation like this existing both last year and this year, what will happen next year and the year after? This has truly caused some people to worry.

One cause is the development of cotton spinning bases and another cause is the decline of raw material cotton. These severe contrasts have forced people to consider the problem of just what things are disrupting cotton production. In regard to this question we visited concerned departments and provincial leaders. Vice Governor Wang Shuangxi who has been in charge of industry and is now in charge of agriculture pointed out sharply that these things that are disrupting production are the twists and turn of prices and unstable policies. In the past peasants blindly listened to plans from superiors, now along with the strengthening awareness of the content and value in the rural commodity economy, peasants have also began paying attention to the economic benefits of products. Based on data supplied by the provincial Agriculture and Animal Husbandry Department, the price for one dan of standard grade ginned cotton in 1988 was 4.37 yuan lower than in 1984 which has caused the price ratio between grain and cotton to fall to 1:5.2. Large scale price increases in the means of production over the last few years have caused costs in making cotton to rise and the peasants true income to be lowered. Dali County is the key cotton area of Shaanxi, in 1987 it set a record high per unit area yield for cotton with the entire county averaging 85 kg per mu. However, based on a survey of 37 households growing 84.9 mu only a third of the net income obtained from a mu of apples, over 30 yuan less than for a mu of tobacco, and also not as good as the income from locally grown watermelons and vegetables. In the present guidance planning for cotton many peasants utilizing "economic foresight" have naturally chose to raise some of these other crops. In 1984 there was a bumper crop of cotton nationwide (Shaanxi included), some leaders were misled by this success and the "difficulty selling cotton." They suppressed the purchasing price of cotton and cancelled policies that made growing cotton equal to grain and other trades. A "cold" wind blew through the hearts of cotton growers and caused cotton production to

never recovered from this setback and steadily deteriorated. By 1986 it fell to a low point with the province only having 810,000 mu of cotton fields left. With hard work by the production departments the area of cotton fields began to rise again last year but there are still many difficulties and it will be tough going. It's no wonder that Vice Governor Wang Shuangxi said with feeling that we must not again conduct the foolish practice of "drafting policies when times are bad and doing away with them as soon as things get better." Due to administrative orders having lost the effectiveness of the past, we must now handle business according to economic laws. Vice Governor Wang Shuangxi also pointed out that since industry uses cotton that agriculture grows, these two should be linked up to form alliances. Cotton textile mills can conduct joint operations with cotton growers and the mills can return a portion of the after tax profits to growers based on the amount and quality of cotton they provide, this will support the growers planting of cotton. Peasants should look at the overall situation of the country and plant more and better cotton.

In short, we can delight in knowing that the state has recently taken steps to deal with the cotton crisis and within the province the drafting of related policies has been speeded up. We expect that in the coming year cotton production will take a turn for the better.

NPC Delegates Propose Measures for Shanghai Economy
40060499D Beijing RENMIN RIBAO in Chinese
19 Mar 89 p 3

[Article by Gao Xinqing 7559 5647 1987: "Forty-Eight Delegates to the Second Session of the 7th National People's Congress Earnestly Propose Measures To Promote Continued Economic Development in Shanghai"]

[Text] On the eve of the 2d Session of the 7th National People's Congress [NPC], 48 delegates from Shanghai, after inspecting the local economic work, earnestly proposed the following: We need to adopt truly effective measures that will promote Shanghai's industrial production and continue its steady economic development. When the delegates arrived in Beijing today they stated to reporters that this is a nationwide concern, whether related to improving the effectiveness of supply nationwide, expanding exports to earn more foreign exchange, increasing financial income, or stabilizing prices; all of these are important and significant.

Last year Shanghai did a good job in fulfilling its various projects in the development of the national economy and society. However, since the beginning of this year, due to loss of control in raw material prices, the planned amount of raw material supplies not being guaranteed, and the supply of energy and funds becoming even more strained have seriously restricted Shanghai's economic development. Authoritative sources have revealed that although during January and February, Shanghai's overall industry showed a 4 to 5 percent growth over the same

period last year, the daily output value has decreased, the textile industry that is related to effectiveness of supply and foreign trade exports has experienced a great reduction in its growing area, and foreign trade exports have decreased. In looking at the above situation, the delegates attending the 2d Session of the 7th NPC proposed the following:

1. Macrocontrol and management should be improved. We should have appropriately favorable policies in the areas of energy guarantees, means of production, material supply, credit, and operational funds for enterprises that produce good economic benefits, have high foreign exchange earnings from exports, and have low energy consumption. Production of coal and transport capacity should be particularly increased, and efforts should be devoted to rectifying coal transport and management procedures to ensure the supply of coal and combustible fuels for electric power generation and that electricity is provided according to the state plan.

2. Shanghai should get a firm grasp on enterprise and product structure readjustment, give full play to Shanghai's technological advantages, and raise the product quality. An NPC delegate, Shanghai Municipality Planning Commission Chairman Chen Xianglin, informed reporters that Shanghai should take 220 key products for priority development and through competition limit the number of products that use a lot of energy and materials to 100, shut down and remodel over 80 enterprises, and develop 200 projects that can improve the effectiveness of supply and expand exports to generate foreign trade earnings.

3. We should earnestly carry out industry policies. Shanghai's foreign exchange earnings from textile exports account for about 40 percent of all foreign exchange earnings generated by the municipality. Electricity, raw materials, and funds for use in textile industry production should be given priority. The municipality has already determined that there are still some prominent problems in ensuring electricity, raw materials, and funds for textiles. This year only 41 percent of the planned amount of textile cotton to be allocated to Shanghai has been received. NPC delegate and Shanghai Textile Bureau Director Mei Shouchun pointed out that distribution of necessary raw materials for the textile industry, as called for in the state plan, should be guaranteed, and a way to solve the problem of the gap in funds should also be found.

Assessment of Economic Reform in Xinjiang
40060394a Urumqi XINJIANG RIBAO in Chinese
17 Feb 89 p 3

[Article by Zhu Jingzhi 4376 0064 0037, Tang Lijiu 0781 4539 0036, and Yan Jingbo 7051 7234 3134: "A Penetrating Look at Xinjiang Economic Reform"]

[Text] Xinjiang Achieves Huge Successes in Economic Reform

Xinjiang has enjoyed 11 successive years of bumper crops, the only province or autonomous region in the nation to realize such sustained growth in agriculture. Peasant net per capita income has more than doubled. Xinjiang has changed from an importer of large quantities of cereal grain to an exporter. This concludes a long chapter in the history of Xinjiang wherein it had to import cereal grain for food, and establishes a material foundation for Xinjiang's overall economic self-sufficiency.

Xinjiang has readjusted its industrial structure, and formed a new economic setup revolving around agricultural and livestock product processing, and supported by the light, textile and food industries. The shift toward light industry represents the first step toward industrialization in Xinjiang.

Communications, transportation, and energy have received serious attention. In 1985, Xinjiang established the China Shoujia Local Aviation Company. It built the Turpan-Korle railroad in south Xinjiang; in north Xinjiang the railroad extends to Kuitun, and is now driving on toward the Ala Shan Pass. In the early 1990s it should link up with the USSR's Tuxi railroad. The domestic portion of the China-Pakistan highway has been completed, and will open up to traffic in the very near future. During the period of the Sixth 5-Year Plan, the communications, transport, and energy industries were continually strengthened.

The economy has begun to change from an insular one to an open one. Domestically, Xinjiang has established economic and technology cooperative relations with 28 provinces, municipalities, and autonomous regions, and 13 central ministries and commissions. Externally, Xinjiang has established economic trade relations with more than 50 nations and regions. In recent years the autonomous region, at the same time as continuing the economic trade policy of "importing from the East," also has directed efforts toward the West by entering the Soviet, Western Asian, Eastern European, and Western European markets, as well as those in the Arab world, and gradually established a structure characterized as "bidirectional development, importing from the East and exporting to the West."

Reform and opening to the outside world stimulated cordial feelings among the nationalities, promoted contacts, enhanced nationality unity, and provided a new pattern of nationality relations. Commodity circulation, talent interflow, technology imports, and information exchange have gradually become the main elements of nationality contact.

Longitudinal Description: Basic Path of Xinjiang Economic Reform

Chronological Order: Reform began first in Xinjiang's rural areas, and passed through two stages. In the first stage, from 1978 to 1985, the focus of reform was to

popularize the output-related household contracting responsibility system. In 1978, Xinjiang explicitly proposed effecting quotas in the rural areas. In 1979, the autonomous region further relaxed policy restrictions and permitted the production teams to apply work contracting to the operations teams through the production responsibility system which linked remuneration to output. In 1982, after publication of CPC Central Committee Document No 1, the household contracting responsibility system was rapidly implemented in the relatively poor areas in south Xinjiang where the mechanization level was low. After 1984, more than 95 percent of the peasant households in rural Xinjiang subscribed to and practiced the output-related household contracting responsibility system. From 1979 to 1985 the pastoral areas implemented the "five fixations, one bonus" responsibility system. Beginning in 1985, the pastoral areas throughout Xinjiang universally implemented the livestock-to-cash household, and pasture land responsibility system. The second stage of rural reform in Xinjiang began in 1985, and primarily consists of readjusting the rural industrial structure and developing the rural commodity economy. As a result of 3 years-plus of reform and restructuring, the Xinjiang rural industrial structure is becoming more rational, and there have been significant increases in grain and cash crop output. Gross output of cereal grains in 1987 for Xinjiang as a whole was 15.8 percent greater than in 1984. There was also a relatively large increase in cash crop acreage. Xinjiang, in the process of readjusting its rural industrial structure, gave priority to development of the livestock industry. From 1984 to 1987, the yearend total of livestock on hand for the autonomous region as a whole increased 6.4 percent. At the same time as expanding the agriculture and livestock industries, Xinjiang also has devoted major efforts to developing township enterprises and promoting the rural commodity economy.

The two stages of reform in the Xinjiang rural areas essentially rationalized relations between the peasants and the collectives, and between the peasants and the state. The "public land, household contracting, joint services" dual-level management structure replaced the old "three-level ownership, team-based" model. A primarily public system of ownership and a new setup incorporating various economic elements, including a private economic sector, replaced the old, monolithic "larger with a greater degree of public ownership" system. Comprehensive development of primary, secondary, and tertiary industries replaced the single-crop planting structure. Substantive rural reform provided a good foundation for urban economic reform in Xinjiang.

There have been two stages of urban economic reform. The first stage was from 1979 to 1984, and primarily consisted of readjusting relations between the state and enterprises, and enterprise internal relations themselves. We successively implemented such reform measures as expanding the enterprises' authority to act on their own

initiative, implementing a multiform economic responsibility system based on expanded enterprise authority, and collecting profit taxes. In July 1979, the autonomous region selected 19 enterprises, such as the Urumqi Light Bulb Plant, Xinjiang Pharmaceutical Plant, and Xinjiang Cement Plant, to experiment with "profit retention" reform. In 1983-84, the autonomous region undertook the first step and second step of switching from profits to taxes, changed the state-run enterprises from ones which turned profits over to the state to ones which paid taxes, and gradually made the transition from "simultaneous profits and taxes" to "substituting taxes for profits." In 1984, the autonomous region first experimented with the plant manager responsibility system at the October Tractor Factory and Xinjiang Cement Plant. The second stage of urban economic reform runs from December 1984 to the present. In July 1985 the autonomous region issued pertinent documents, and continued to effect a policy of simplifying administration, expanding authority, and enlivening enterprises. The general merchandise, textile, hardware, and transport companies directly subordinate to the autonomous region commerce department were turned over to Urumqi city. In addition, 18 companies and 10 commercial enterprises subordinate to Kashi, Hotan, Turpan, Taxkorgancheng, and Changji prefectures and autonomous prefectures were turned over to the respective cities and counties. The machinery and electrical industry department turned control of 28 of its 38 subordinate enterprises over to Urumqi and the local sites. Since the end of 1986, the autonomous region developed and strengthened enterprise lateral economic alliances. In 1987, industrial enterprises entered into joint ventures with national name-brand product producers, such as the Dongfeng Automobile Plant, Fenghuang [Phoenix] Bicycle Plant, and Shanghai Zhengtai Rubber Plant. Enterprise groups have been established within the autonomous region; these include the Sanshan Cotton Textile and Garment Group, with the Shihezi No 81 Cotton Mill functioning as the main enterprise, and the Xinjiang Textile Development Company, with the Xinjiang No 71 Cotton Mill as the main enterprise. Since 1987, primarily by separating ownership from management authority, the autonomous region has popularized the enterprise contracted operations responsibility system. By June 1988, of the whole people-owned industrial, transport, construction, commercial, materials, and grain enterprises in the Xinjiang budget, 62.1 percent had instituted contracted operations. This included 82.3 percent of the large and mid-sized industrial enterprises which should have instituted contracted operations. Moreover, contracting provided a mechanism for competition and assuming risk; enterprises contracted other enterprises, and superior enterprises annexed inferior ones. Urban economic reform enabled the Xinjiang industrial and transport enterprises to support themselves.

Logical Order: Reform began with expanding the authority of the base-level economic units to make decisions on their own and rendering them more viable. After these

economic units were granted a certain amount of authority, they took their economic activity to the marketplace to differing degrees. Relevant to this, we also instituted reform of the circulation system. New changes brought on by microeconomic activity resulted in certain restructuring and reform of macroeconomic policy and management as well. Although most of the major reform measures to date are uncoordinated and individual in nature, and some clash with each other, in terms of overall objective progress, they follow the general pattern of a planned commodity economy based on public ownership, and were developed in line with the essential aspects of three mutual relations: gradually realizing enterprise self-management, gradually creating a unified market system, and gradually establishing an objective management system operating indirectly whereby the state regulates the market, and the market guides enterprises.

1. In terms of planning, command planning has been reduced, guidance-style planning has been expanded, and the regulatory role of the market has been enhanced. The autonomous region's command plan for agriculture and livestock production has been completely rescinded, and currently only contract purchases or fixed-base purchases apply for individual agricultural and livestock products. Industrial production command planning products have been reduced from the former 374 types to 31 types. Command planning for materials procurement allotments have been cut back from 51 types to 21. Without these changes, there could have been no enterprise and circulation system reform. However for many areas, changes in current planning still are quantitative and formal in nature, and they have yet to undergo fundamental transformation. Balance and regulation, the essential functions of planning, have yet to play their rightful role.

2. In terms of prices, before 1984 the state primarily regulated prices in a planned manner. Over time there gradually emerged an extremely irrational pricing system, but during this period Xinjiang also granted the enterprises a certain amount of authority to revise prices. Moreover, it freed the prices of some industrial and agricultural products and of all minor commodities, and implemented market regulation of prices. After 1984, even more areas devoted time and effort toward the price control system. Progress has been made in establishing a new pricing mechanism "integrating relaxation and control." However, at present "dual-track" prices are common, which makes effective regulation difficult, and results in unavoidable friction which inhibits movement in the economic sector.

3. As for fiscal matters, the scale and scope of bank credit has been expanded, a banking system has been set up for the People's Bank and the various specialized banking organizations, many types of financial organizations have been established, including urban credit cooperatives and trust and investment institutions, and preliminary steps have been taken to explore bank enterprization and to apply the credit and interest rate lever. The

fiscal system in place today, however, is still incomplete, and financial markets are in their infancy.

4. In terms of financing, in 1985 Changji and Turpan prefectures were the first to experiment with financial contracting, which is now prevalent throughout Xinjiang and practiced in a comprehensive manner. This "eating in separate kitchens" financial system represented a departure from the centralized revenues and expenditures of the former financial system, and aroused enthusiasm at both the central and local levels. However, this type of financial system still does not fundamentally rationalize the economic relations of the central authorities and various levels of government; it is simply a transition system.

Lateral Comparison: Xinjiang Faces Grim Reality

If we consider the broader picture, we see that Xinjiang faces a grim reality.

1. The disparity in economic development between Xinjiang and some coastal provinces is becoming greater and greater. In terms of nationwide gross value of industrial and agricultural output, while Xinjiang accounted for 0.98 percent in 1980 and 1.02 percent in 1986, Jiangsu, Zhejiang, and Guangdong registered a better performance; while in 1980 the discrepancy between Xinjiang and these provinces amounted to 7.08 percent, 3.24 percent, and 3.79 percent, respectively, by 1986 these figures had risen to 9.86 percent, 4.89 percent, and 4.84 percent, respectively. In other words, the disparity between Xinjiang and these coastal provinces increased by 1-2 percentage points.

2. The difference in the degree of social development in Xinjiang and the nation as a whole has grown. Illiteracy or semiliteracy per 1,000 for the Xinjiang minority nationality population is 21 percent greater than the nationwide level. Only 10.79 percent of the national minority cadres throughout Xinjiang receive a college education, which is 2.5 percent below the national average. For the minority nationalities nationwide, 74.7 people per 10,000 are S&T personnel, while the figure for Xinjiang is 32 percent lower at 50.85 per 10,000.

Overall Assessment of 10 Years of Reform in Xinjiang

Longitudinally, the Xinjiang economy is beginning to move from dependency toward self-sufficiency, whereas laterally, Xinjiang and certain coastal provinces have grown farther apart in terms of level of economic development. How should we assess these 10 years of economic reform? The longitudinal description clarifies past and present relations, while the lateral comparison better reveals the reality Xinjiang is confronted with, and leaves no doubt about its future direction. The longitudinal description and lateral comparison impress upon us the diversity of economic reform in the various regions of the country, and reflect the sluggish and unimaginative nature of economic reform in Xinjiang.

1. Sluggish Reform. Overall, the reform process has been sluggish, from implementation of the output-related rural household contracting responsibility system, to comprehensive popularization of the industrial enterprise contracting responsibility system. Moreover, what is worrisome is the prolonged nature of sluggish reform. For an individual region, this results in the loss of two types of effectiveness: One is the temporal effectiveness of reform, and the other is its renewal effectiveness. Reform and other endeavors alike have a lifetime. Experience and logic tell us the returns from a reform program are greatest in its initial stages; subsequently, as a result of changing conditions and redundancy, reform yields diminishing returns. This is in regard to development within a single region. In the case of numerous regions, if a program is applied first in a given region, then because of time lag, changing conditions, and constant interregional movement, the program becomes essentially inappropriate for other regions. The greater the lag time, the smaller the returns generated by the reform program.

At this point we must eliminate an erroneous inclination, which is the tendency to think that since this autonomous region has many peculiarities, a reform program can be applied in Xinjiang only after the experiment succeeds in other regions. If we do not fully capitalize on the golden opportunity afforded by reform in undeveloped Xinjiang, the day when it could stand completely on its own will be postponed.

2. Unimaginative Reform. Not only is economic reform sluggish in Xinjiang, some reform programs are formulated without regard to the area's special characteristics and conditions as well, and are copied indiscriminately from other regions, which impacts on reform returns.

With regard to Xinjiang economic reform, with the exception of important reform measures such as price reform which must be consistent with central guidance, Xinjiang may implement its own reforms in line with its special characteristics and conditions, and by the authority vested in it by the "Regional National Autonomy Laws." Xinjiang's unique geographical position creates conditions for going reform alone. Because of its outlying geographical position, the disruptions of other regions may not affect Xinjiang, and therefore it can fully enjoy the temporal and renewal effectiveness of reform.

Xinjiang Retail Prices Lowest in Nation

40060499A Urumqi XINJIANG RIBAO in Chinese
6 Mar 89 p 1

[Article by the Regional Survey Team's Price Office: "Last Year the Retail Price Index in the Xinjiang Uygur Autonomous Region Rose Less Than the National Average—Due to the Large Stagnation Effect Caused by Price Adjustments It Will Be More Difficult To Control Price Increases in the Coming Year"]

[Text] Comparing Xinjiang Uygur Autonomous Region's retail price index of 1988 with that of the year before shows an increase of 14.6 percent. This is lower

than the national average of 18.5 percent and ranks as the lowest price increase index nationwide among provinces, autonomous regions, and municipalities directly under the central government. This is 15.6 percentage points below that of Guangdong Province which has the highest price increase index.

Price indexes of three of the five provinces and autonomous regions in the northwest, excluding Shaanxi and Gansu which have indexes higher than the national average, are rather low. Comparing Xinjiang with four provinces and autonomous regions of the northwest shows that the extent of its price increases is 4.4 percentage points lower than the 19.0 percent of Shaanxi Province, 4 percentage points lower than the 18.6 percent of Gansu Province, 3.7 percentage points lower than the 18.3 percent of Qinghai Province, and 2.9 percentage points lower than the 17.5 percent of Ningxia Hui Autonomous Region.

Something worth mentioning is that although Xinjiang had the lowest retail price index nationwide in 1988, we cannot say with conviction that Xinjiang's retail price index will continue to be the lowest. Just the opposite may be true, due to a large stagnation effect in 1988 caused by price adjustments, it will be more difficult for Xinjiang to control its price increases than other provinces and autonomous regions this year. This aspect should be given serious attention by the various levels of government and social circles.

Textile Industry Adjusts Product Structure
40060499B Urumqi XINJIANG RIBAO in Chinese
16 Mar 89 p 1

[Article by Liu Xiaofeng 0491 2556 7685: "Xinjiang Textile Industry Adjusts Its Industrial Product Structure—Have the Exporting of Primary Products Shift Towards Exporting Products With Finished Processing and Higher Value, Shift the Increase of Striving for Speed Towards Raising Economic Benefits"]

[Text] In order to give better play to the raw material advantages of the Xinjiang Uygur Autonomous Region, the Regional Textile Industry Bureau increased the ability of enterprises to meet emergencies and this year will place stress on adjusting and improving the industry and the two major product structures, shift the textile industry's past method of mainly exporting primary products towards exporting products with finished processing and higher value, and also shift the increase in seeking speed towards laying stress on economic benefits.

This year, textile industries nationwide are faced with the situation of shortages in raw materials and reduced incomes. In order to break free from this predicament, the Xinjiang textile industry enthusiastically began adjustment and improvement of the industry and product structure. In the adjustment of the industrial structure it fully used Xinjiang's abundant cotton, wool, hemp, silk, and other natural resources to build up

textiles, based on trends of domestic and foreign markets put stress on developing the cotton textile industry, in a planned manner built some enterprises that keyed on exports, and developed the hemp and wool industries an appropriate amount. In adjustment of the product structure it first ensured the production of daily living necessities and also encouraged and supported enterprises in opening up exports of cloth lining, auxiliary materials, and the opening up of channels for various types of textile products and fibers. The textile industry changed the situation of having the majority of Xinjiang exports being primary products and worked hard to raise product quality and increase varieties. Construction of test mills for cotton, wool, clothing, and decorative products was increased which improved its ability for opening up new products. Cotton yarn should be exported as medium grade or higher combed cotton, new varieties of cotton cloth should be increased, and we should get a firm grasp on the opportunities in the international market's great demand for towel products to increase our export volume. With the situation of the total volume of exports not showing an increase, we should work hard to expand finalized product exports and increase their value so foreign exchange earnings can be improved.

Xinjiang Official Describes Causes, Solutions to Inflation

40060394b Urumqi XINJIANG RIBAO in Chinese
16 Feb 89 p 1

[Article: "Autonomous Region Pricing Bureau Chief Wang Zhensheng on How To View Current Price Problems"]

[Text] XINJIANG RIBAO: How should we view last year's price problems in the autonomous region? This is a hot topic of conversation today; please express your personal views.

Wang Zhensheng [3769 7201 5116]: Briefly stated, price rises were abrupt and excessively large. This year we must strengthen macroeconomic control, adopt comprehensive measures, and see to it that price increases are substantially lower than last year.

Last year the autonomous region's price index was estimated at 14.5 percent, manifested primarily in the following: 1. The retail sales price index rose in stairstep fashion, and it was not until the end of the year that we saw a slight fall. 2. A secondary effect resulting from planned, structural price adjustment was a spontaneous price rise which accounted for more than half the price index. 3. In terms of commodity categories, there was an across-the-board rise in food and clothing prices, with excessively large price increases in particular for baskets containing a vegetable and a meat dish.

XINJIANG RIBAO: Why did prices rise substantially in Xinjiang last year?

Wang Zhensheng: The following factors contributed. To differing degrees, the autonomous region experienced an overheated economy, excessive demand, and too much currency put into circulation, and there was increased social consumption over the previous year, muddled investment channels, and runaway out-of-plan investment. The people had unrealistically high expectations from reform, and with consumer goods in short supply, when their desire for such goods went unfulfilled, it inevitably dealt an abnormal shock to the market and savings. There were inadequate supplies of some manufactured goods for daily use. Production enterprises lacked self-restraint, and some of them used their authority to sell on their own to indiscriminately set product prices. This led to frequent price changes, to the point where commercial enterprises followed suit in changing prices. There was serious disorder in circulation, coupled with muffed management and some products being out of stock and so on and so forth. Taken together, these factors led to the large price increases.

XINJIANG RIBAO: What policies are in place this year to control price rises?

Wang Zhensheng: Although the price situation this year is extremely grim and there are great difficulties, with administrative reform the overheated economy can gradually be turned around. Coupled with Xinjiang's favorable economic situation, and the prospect of an improvement in the effective supply of the major agricultural and sideline products intimately linked to the people's livelihood, I am fully confident about this year's pricing work.

Specific plans of action include further unifying ideas and understanding, acting in unison from top to bottom, and discerning the truth about the need to control price rises. Employ significant and comprehensive measures in the area of macrocontrol, and coordinate actions to reduce the scale of basic construction, cut back on social purchasing power, control increases in consumption funds, stabilize finances, and vigorously control the amount of currency put into circulation and the scale of loans. Only when all this is combined in a workable mechanism will macrocontrol prove effective. Devote major efforts to developing industrial, agricultural and livestock production, work hard to increase effective supplies, and vigorously provide for the people's livelihood. This year we must focus on the production and supply of cereal grain, meat, vegetables, poultry, eggs, and milk. Strengthen control of vegetable and meat markets, and strive to stabilize vegetable and meat prices at last year's levels. Work hard to reorder circulation, emphasize consolidation of wholesale links, resolutely ban specialized companies and enterprises which seek exorbitant profits by buying up and reselling important means of production and consumer goods which are in great demand. Advance reform, especially those reform measures which play a significant role in stabilizing prices. Strengthen pricing inspection and supervision, and earnestly enhance control of market prices. Unify

retail prices of some important commodities and fee standards for noncommercial products on a citywide basis, and announce them to the public. For commodities for which guidance prices apply, rigorously hold the amount put on sale and the wholesale-retail price differential to within specified limits. If we achieve the things outlined above, this year's price increases will be significantly lower than last year's.

SMALL-SCALE ENTERPRISES

Township Enterprises in 'Cash Bind'; Look for New Fund Sources

40060516b Shanghai WEN HUI BAO in Chinese
26 Mar 89 p 1

[Article by Xia Peilin 1115 1014 2651: "Township Enterprises Must Economize and Tap New Sources of Funds"]

[Text] After the tight money policy was introduced, township enterprises have found themselves strapped for funds. Yearend distribution was long over, but many township enterprises have yet to pay bonuses to their employees. The new year has barely begun, but factory directors and managers are already worrying about the lack of circulating funds for production.

There are many reasons why township enterprises are suffering from a shortage of funds. They are owed many bad debts, a problem that has long vexed the operators of township enterprises. At yearend, many enterprise managers and directors and even township chiefs and secretaries were busy tracking down their debtors. A factory director told reporters that his factory was owed as much as 800,000 yuan and itself owed others 450,000 yuan. Because a foreign trade unit has fallen behind in repaying 20 million yuan in distribution funds, a prawn breeding concern in Tuolin Township, Fengxian County, was forced to suspend its pond renovation project.

Donations, subsidies, and apportionments, which come under a multitude of names, also constitute an onerous burden on township and town enterprises. The director of a large factory which makes a profit of 1 million yuan has received over a dozen letters of invitation from "fraternal organizations" and "associations." Although he never attends any conference, he must still shell out tens of thousands of yuan each year in "membership dues." According to a survey in a township, assorted donations and subsidies alone amounted to 250,000 yuan last year.

The neglect of self-accumulation is another reason why township and town enterprises now find themselves in a cash bind. In the past, the principal source of funds as far as township and town enterprises are concerned was bank loans, with many enterprises operating on borrowed money. A few years ago, township enterprises in the outskirts often relied on increased inputs to increase output. Although their economic charts did show an

upward curve year after year, the enterprises became saddled with mounting debt at the same time. In recent years, the growth of distribution funds at township enterprises in the outskirts has outpaced that of profitability. Thus enterprises have a rather limited self-development capability, a weakness that became fully exposed with the latest round of belt-tightening. Some villages take a "rob the rich to give to the poor" approach toward enterprise distribution. This enables unprofitable and mismanaged enterprises, including those that are losing money, to draw some profit from the pool of funds, while draining economic resources from well-managed and profitable enterprises. The failure to sort out the relationship between distribution and accumulation has much to do with the greediness of enterprise directors. The directors of many township enterprises in the outskirts earn much more than their workers, with some collecting 2 to 3 times, even 5 to 6 times, more than their workers in yearend distribution. Numerous factory directors in the outskirts make 10,000 yuan a year. The director of a village-run factory in an outer suburb makes 9,200 yuan a year while the workers earn only 1,200 yuan.

Township enterprises "actually have no money, but they spend extravagantly." Non-production spending by these enterprises is shockingly high. According to data on one county, the book value of the factory director fund for its township enterprises was 15 million yuan last year, 7.05 million yuan more than budgeted, with each township spending on average the equivalent of the entire profit of a large multi-yuan factory on "dining, sending presents, and invitations." A factory director told me that to "help" some people buy color television sets and electric fans, his factory had put a large number of fans in the warehouse, tying up 360,000 yuan in funds.

The present fund shortage should sober us up. Peasants look forward to the development of township enterprises with eagerness. But development requires accumulation, reform, and adjustment. Since last year, many enterprises in Fengxian County have encouraged workers to channel their funds into the enterprises, thereby attracting a large amount of idle funds in society. Under this "venture capital system," the workers return part of their earnings to the enterprises as venture capital. In so doing, they throw in their lot with the enterprises as well as solving their problem of fund shortage. Danqing Village raised over 1 million yuan in just a few months. Thus kind of experience is worth emulating.

To solve the fund scarcity problem, township enterprises must look inward and practice intensive reproduction. They must increase revenues, cut spending, and reduce material consumption and nonproduction expenditures. They should adopt a slanting policy in investment and borrowing, using what limited funds they fund on the cutting edge. They should ensure the availability of goods serving the needs of agriculture, export commodities, products in demand on the market, as well as citizens' daily necessities. Enterprises which turn out

unpopular or unmarketable products and are in bad shape financially should be closed, ordered to suspend production, or merged with other plants. All quarters should support township enterprises and allow them to "rest and build up strength" through this difficult period.

Shanghai Township Enterprises To Adjust Product Mix

40060516a Beijing JIEFANG RIBAO in Chinese
26 Mar 89 p 5

[By JIEFANG RIBAO reporter Zhang Rongde 1728 2837 1795: "Township Enterprises Must Adjust Their Product Mix"—Interview with Qian Pu, director of the Shanghai Agricultural Machinery Bureau; date and place of interview not given]

[Text] As a pillar of the rural economy in the outskirts, how should township enterprises promptly readjust their product mix to take advantage of the new opportunity for development and continue to grow steadily under macroeconomic regulation and control? This question is of general interest to the public. I posed this and other questions to Director Qian Pu of the Shanghai Agricultural Machinery Bureau.

JIEFANG RIBAO: What is the macroeconomic guiding idea for the current effort to readjust the product mix of township enterprises?

Qian Pu [6929 3877]: To answer this question, we must first survey the current state of township industry in the outlying areas. Its gross output value can be broken down as follows: processing for and joint operation with big industry, 48 percent; exports, 18 percent; products mandated by the ministerial and local plans, 10 percent; and products for the market economy, 24 percent. The product mix of the township industry is characterized by "three excesses and three shortages," that is, there is an excess of old products, bottom-of-the-line products, and products that are little-known and a shortage of new, upscale, or well-known products. With this situation in mind, the current effort to adjust the product mix will take the following tack.

As far as processing for and joint production and cooperation with big industry are concerned, the adjustment will mainly follow the direction in the adjustment of urban industry. The focus of the adjustment of the product mix of urban industry will provide the basis for the adjustment of the product mix of township industry. Through this adjustment, we hope to make township industry a better, higher-quality, and higher-standard supporting player and assistant and contribute to the adjustment of the product mix of Shanghai industry overall.

As far as products which are exported to earn foreign exchange are concerned, we are mainly concerned to consolidate and develop existing export commodity production bases, tap and secure sources of goods, energetically modify the export mix in light of international market needs, and develop exports that are light on materials and heavy on workmanship so that we will turn out more upscale and high-standard products with a greater added value. At the same time, we should make a major effort to develop products that are both labor- and technology-intensive. We must increase our exports to earn more foreign exchange.

As for products in the plan and for the market, we must primarily adapt to what the market wants, upgrade product variety, and improve product standards. We must cut down on material consumption and improve profitability. Through adjustment, we hope to turn out products that meet the requirements of economy and batch process and increase the proportion of goods which are famous, good-quality, novel, special, and upscale. These products should be our "best-sellers."

JIEFANG RIBAO: Which products will receive priority in the adjustment of the product mix of township industry?

Qian Pu: In light of the thrust of the adjustment effort, a total of 108 products in eight categories are slated for priority development. Products serving the needs of agriculture: 12 products that are in short supply, including chicken-raising machinery and equipment, factory rice seedling-raising equipment, rotary cultivator, diesel engine, phosphate fertilizer, and small farm machinery; industrial raw materials; 13 products that are in short supply, including cement, sulfuric acid, calcium carbide, and titanium dioxide; durable consumer goods in short supply; primarily three domestic appliances—refrigerator, washer, and air-conditioner; daily necessities; 13 products, including iron pans, bicycles, electric fans, vacuum cleaners, sewing machines, electric light sockets, light bulbs, beer, and large granulated monosodium glutamate; accessories to increase the share of Chinese-made parts and components; five products to go into the Santana sedan and color TV; products to be exported to earn foreign exchange; 28 products, including locks, wood screws, apparel, gloves, footwear, hats, three kinds of towels, bed sheets, toys, and drawn work goods; new products, high-tech products, and upgraded products; 28 products, including cordless telephones, fully automatic washing machines, microcomputers, quartz electronic wall clocks, high-power dryers, high-pressure pulp-spreading pumps, fire alarms, and manganese, zinc, and iron oxidized magnetic core; electronic instruments and meters; 6 products, including laboratory equipment, automated meters, and radio components. Through product mix adjustment, we hope to increase the output of these products significantly and break through the 3 billion yuan mark in output value, or 12.4 percent of the gross output value this year.

JIEFANG RIBAO: What measures will be taken to ensure that product mix adjustment would proceed smoothly?

Qian Pu: Production enterprises that turn out priority products will be given preferential treatment in the allocation of funds, material resources, and energy, in product increase planning, in technological transformation, and in new product development. They will also be given targeted support in enterprise management and personnel training. The development of products that are out of line with our development plan must be firmly checked. This will be accomplished through macroeconomic measures in cooperation with tax and banking departments. Material supply departments, too, would clamp down hard on the development of such products by denying them materials. Even as we simplify administration and delegate power, we must step up macroeconomic control and maintain a firm grip on new enterprises. The examination-and-approval process and related procedures must be improved to avoid plant duplication and proliferation in the midst of adjustment.

CONSTRUCTION

Company Managers' Letter to Governor on 'Unbearable Burdens' of Industry

40060437 Beijing JIANZHU JINGJI [RESEARCH IN THE ECONOMICS OF BUILDING] in Chinese
No 1, 18 Jan 89 pp 21-23

[Article: "Overall Increases in the Prices of Building Materials Have Created Unbearable Burdens for Construction Companies; A Letter to the Governor of Zhejiang Province From the Following 16 Construction Company Managers: Ding Guoqi 0002 0948 3823, Manager of the Zhejiang No 1 Construction Co; Zhou Hongpan 0719 1347 4149, Manager of the Zhejiang No 2 Construction Co; Shi Jiang 4258 3068, Manager of the Zhejiang No 3 Construction Co; Chen Yumin 7115 3842 2404, Manager of the Zhejiang No 4 Construction Co; Ying Zongyuan 2019 1350 0626, Manager of the Zhejiang No 5 Construction Co; Zhang Jiannan 1728 0494 0589, Manager of the Zhejiang Industrial Equipment Installation Co; Yu Qihan 0151 6386 5060, Manager of the Zhejiang Mechanical Engineering Co; Xu Shisong 1776 0013 2646, Manager of the Zhejiang Construction Parts and Fittings Co; Pan Dazu 3382 6671 4371, Manager of the Zhejiang Qianjiang Construction Co; Shen Renlin 3088 0088 2651, Manager of the Hangzhou Construction Co; Ding Deen 0002 1795 1869, Manager of the Hangzhou No 2 Construction Co; Lu Xiuqiao 7120 4423 0829, Manager of the Hangzhou No 3 Construction Co; Shi Guanyun 0670 1351 0061, Manager of the Hangzhou Equipment Installation Co; Ruan Feng 7086 1496, Manager of the Hangzhou Construction Parts and Fittings Co; Zhang Changsheng 1728 7022 3932, Manager of the Huzhou Installation Co; and Lin Fadeng 2651 4099 4098, Manager of the Jiaxing Installation Co"]

[Text] We are the managers of 16 construction and installation companies in Zhejiang cities, such as Hangzhou, Ningbo, Quzhou, Huzhou, and Jiaxing, who are submitting this joint letter to our governor to report the serious losses we have incurred from the overall increases in the prices of building materials and the decontrolled prices that we are responsible for paying, and to ask the Zhejiang government to take steps to help construction companies settle these problems.

The tremendous wave of inflation since 1988 has been pushing construction companies toward a perilous abyss. The large overall increases in the prices of building materials, construction companies being too responsible for paying decontrolled prices for the "three materials" (rolled steel, cement, and lumber) on most projects, and accounts for other building materials still being settled according to controlled prices, have caused us to incur serious losses from the costs of materials for projects. A survey of 11 companies, such as the Zhejiang Nos 1, 2, 3, 4, and 5 construction companies, the Zhejiang Installation Co, the Hangzhou Construction Co, the Hangzhou Installation Co, the Qianjiang Construction Co, the Jiaxing Construction Co, and the Huzhou Construction Co, found that paying decontrolled prices for the "three materials" alone caused them an estimated loss of 23,396,200 yuan in 1988, or 81.01 percent of their 1988 profit contract index. The construction companies that were responsible for paying more decontrolled prices incurred more losses and some are on the verge of bankruptcy.

The prices of building materials are now increasing sharply and are out of control. The controlled price of 6-6.5 mm wire rods is 822 yuan a ton. The Zhejiang Metal Co advertised them at a price of 1,950 yuan a ton in September 1988, but the market price was 2,400 yuan a ton, or 2.92 times the controlled price, by the last third of October. The controlled price of No 425 ordinary cement is 106 yuan a ton, but the market price is 280 yuan a ton, or 2.64 times the controlled price. There have been even larger increases in the prices of nonferrous metal and special types of rolled steel. Stainless steel plate prices increased from 8,000 to 35,000 yuan a ton, galvanized plate prices increased from 4,000 to 9,600 yuan a ton, and brass pipe prices increased from 12,000 to 28,000 yuan a ton. The prices of local building materials have also increased considerably. The controlled price of standard brick is 110.8 yuan a thousand, while the market price is 170 yuan a thousand, or 1.53 times the controlled price. We have seldom encountered a wave of price increases for building materials that has caused such tremendous unrest, continued for such a long time, been of such huge proportions, and affected so many kinds of materials.

The building materials market is in chaos and some businesses that manufacture and sell building materials have raised prices without authorization. The Zhejiang Construction Parts and Fittings Co ordered 1,000 tons of rolled steel from Tangshan in July 1988. The contract

stipulated that Tangshan's delivery price would be 1,417 yuan a ton. Tangshan sent 3 telegrams from 8-24 August raising the price. The first telegram raised the price to 1,500 yuan a ton, the second raised it to 1,700 yuan a ton, the third raised it to 1,880 yuan a ton, and increased labor costs were also added on. Not only rolled steel prices, but also cement prices, increased in just a few days. The Hangzhou No 2 Construction Co ordered 400 tons of No 425 cement from the Xingqiao Cement Plant between February and April 1988 at a contact price of 136 yuan a ton. The cement was paid for in full when it was ordered and the bill of lading was written, but it was impossible to pick up the cement. The Xingqiao Cement Plant gave notice on 30 June that it had raised its price for cement to 160 yuan a ton, it raised its price again on 10 September to 190 yuan a ton, raised it again on 6 October to 220 yuan a ton, and said that the unit that had already paid for the cement must first make up the balance of the raised price before it could pick it up. The Anji Cement Plant issued a notice on 4 October 1988 that its price for No 425 cement had been raised to 240 yuan a ton. Since rolled steel and cement were in great demand, they were sold to whoever would pay the highest price. The workers who construction companies sent to pick up rolled steel and cement often waited in lines all day without being able to pick up a ton of materials. The Hangzhou Electric Cable Plant raised its prices twice in 1988. Its prices for plastic-insulated copper wire, flexible copper cord, and control cable increased 1.3- to 2.2-fold. These huge price increases were dumbfounding. What is even worse is that some building materials distributors have hoarded and speculated, bought and resold at a profit, extorted sales commissions, and sought exorbitant profits. The Qianjiang Construction Co contacted a certain Hangzhou building materials distributor on 27 September 1988 to buy 70 tons of 6.5-mm wire rods. The distributing agent pointed out that a "request for rolled steel" must be clearly written in a letter of introduction, the invoice price would be 1,800 yuan a ton, but an extra 500 yuan a ton reward had to be paid in cash. This transaction was not concluded.

The constant increases in the prices of building materials and construction companies being too responsible for paying decontrolled prices for materials have caused us to incur serious losses from the costs of materials for projects. The decontrolled prices of the "three materials" for the publishing house building that the Zhejiang No 1 Construction Co contracted to build, were subsidized at 1,539,800 yuan, whereas the actual decontrolled price was 2,145,700 yuan, which caused a loss of 605,900 yuan. Construction on the project to move and rebuild the Hangzhou Oil Refinery was started in August 1988 by the Zhejiang No 4 Construction Co. The decontrolled contract price for its rolled steel was 634.46 yuan a ton, whereas the actual decontrolled price was 1,276 yuan a ton. The decontrolled contract price for its cement was 46 yuan a ton, but the actual decontrolled price was 179 yuan a ton. A loss of 620,00 yuan was incurred in this project from paying decontrolled prices for rolled steel

and cement. The loss incurred from paying decontrolled prices for the "three materials" was even more alarming for the Hangzhou Department Store project on which construction was started recently. The project will need 2,400 tons of rolled steel, 5,494 tons of cement, and 506 cu m of lumber. The units that have contracted to build it, the Zhejiang No 3 Construction Co and the Hangzhou Installation Co, estimate that they will incur a loss of 2,500,300 yuan from paying decontrolled prices for the "three materials," electric wire, and electric cable. Many funding units shift building materials price increases and project cost increases onto construction companies and these "unequal treaties" are really hard to take. All of the 360 valves needed for the Hangzhou Xiangfu Hydraulics Plant project were purchased and supplied by the funding unit. The 120,000-yuan difference between their purchase price and the contract price had to be borne by the Hangzhou Installation Co that contracted to install them. But there was only 80,000 yuan for the labor cost of installers for the whole project, so several months were wasted and a large sum of money had to be subsidized. Not only are the prices of the "three materials" increasing, but the prices of items, such as local building materials, supplementary materials, and fuels, are also increasing. The Huzhou Construction Co lost 558,500 yuan in the last 3 months on price increases for standard brick and yellow sand alone. This constant wave of increases in the prices of building materials has done great damage to construction companies.

The striking conflict between the supply and demand of building materials is seriously affecting the progress of key construction projects. The Zhejiang No 3 Construction Co planned to purchase 4,100 tons of rolled steel and 20,000 tons of cement on the market in 1988. By the end of September, it had been able to buy only 2,136 tons of rolled steel and 8,625 tons of cement, or 52.1 percent and 43.1 percent, respectively, of its planned needs. This forced it to stop work on some key projects for lack of materials. This company had a quota of 5,800 tons of cement to be supplied by 7 cement plants, but could not pick up the cement even after contacting them dozens of times. Construction of the Zhejiang People's Bank is a key provincial project. It recently needed 1,100 tons of cement to pour a concrete basement foundation. Four short months after the bill of lading was written and tremendous efforts were made by rushing around everywhere to ask for help, only 828 tons of cement were obtained and work had to stop halfway through the pouring of the concrete foundation for lack of materials. A new ward for the Zhejiang People's Hospital is also a key provincial project that is being built by the Zhejiang No 1 Construction Co. The project has been guaranteed for several months, but it has been unable to continue being built because the funding unit has not supplied the materials and it is still short 163 tons of rolled steel and 735 tons of cement. Construction on the materials and fire control warehouses for the Beicang Power Plant that are being built by the Zhejiang No 2 Construction Co was in a state of semi-suspension by October 1988 because standard brick could not be purchased. The

work stoppages on many projects for lack of materials have made it impossible to fulfil construction plans for key projects and caused construction companies to sustain huge economic losses.

The policies that were set by the 3d Plenary Session of the 13th CPC Central Committee to control the economic environment, reorganize the economic order, and deepen reform in an all-round way, are in line with the will of the people and we will persist in carrying them out. Faced with serious inflation, we construction company managers should inspire enthusiasm, meet the difficulties head-on, deepen reform in an all-round way, improve our management operations, tap our latent potentials, and improve our economic results. But construction companies make small profits, have a limited capacity to bear economic burdens, and cannot settle many problems on their own. Therefore, we have been forced to ask the provincial government and relevant departments to take steps to properly settle the problem of the serious losses that we have sustained from the costs of materials for projects due to the sharp increases in the prices of building materials. Thus, we are making the following requests:

1. The scope of capital construction should be reduced and the prices of building materials should be stabilized. We particularly support the recent State Council decision to inventory ongoing projects and reduce the scope of capital construction. Too much capital construction is the most succinct manifestation that the economy is overheated, and reducing the scope of capital construction is the most crucial link in controlling the economic environment. Only by thoroughly changing the situation of all China being a huge construction site and by keeping the scope of capital construction within the limits of national financial and material resources, can the conflict between the supply and demand of building materials be basically alleviated, the prices of building materials be kept down and, thus, a good external economic environment be created for construction companies. In order to reestablish order in the building materials market, the prices of building materials must be better controlled, the wave of price increases for building materials must be firmly checked, and driving up the prices of building materials, hoarding and speculation, buying and reselling at a profit, and seeking exorbitant profits must be firmly attacked.

2. The way of buying and selling building materials should be improved and the needs of key construction projects should be ensured. We are asking the provincial government to instruct the relevant units to give priority to fulfilling their quotas of rolled steel and cement needed for key national and provincial projects and to satisfy needs as much as possible for purchasing at negotiated prices. Businesses that manufacture and sell building materials should ensure planned supplies before making the proper plans for their private sales and not put the cart before the horse. Businesses that manufacture and

sell building materials should strictly fulfil all order contracts that they have signed and been paid for, deliver materials on schedule, and not raise prices without authorization.

3. The problem of losses sustained from paying decontrolled prices for the "three materials" should be settled realistically and properly. The large increases in the prices of the "three materials" is a new issue that has arisen in the reforms. The difference between market and controlled prices is part of the cost of materials for projects and should not be shifted onto construction companies. The burden of making up the wide gap between contract and market prices for the "three materials" should be borne by the funding units. All projects which construction companies are responsible for building at decontrolled prices and have been paid decontrolled and project funds according to contract provisions, should still be guaranteed in principle by construction companies, but the decontrolled prices should be appropriately modified according to the market prices when the money was paid. Decontrolled and project funds which funding units failed to pay according to contract deadlines, should be realistically modified according to market prices. We are asking the provincial government to instruct the relevant units to make specific provisions on this issue that can be followed and enforced.

4. In inviting and submitting bids for future projects, a proper form of contracting for materials at decontrolled prices should be adopted. Funding Units should provide as much as they can of the rolled steel, cement, lumber, and other building materials, or quotas of them, that are needed to build and install projects. All materials that have to be purchased on the market by construction units should be listed on the bid record according to the current controlled prices, and their decontrolled prices should be listed separately and later modified according to the actual conditions. If decontrolled price contracting is adopted, the funding units and the construction companies can agree upon a decontrolled price index, with the construction company being responsible for that which falls within the limits of the decontrolled price index and the funding units being responsible for any extra. Before construction is begun on all projects that use the method of responsibility for materials at decontrolled prices, the funding units should pay to construction companies in one lump sum all decontrolled price funds together with that part of the materials funds that they are responsible for. Whatever form of decontrolled price contracting is adopted should be clearly stipulated in the construction contract. All government price modification should be in accordance with relevant government department documents and carried out along with the final accounting for the project.

5. Controlled prices for building materials should fluctuate along with market prices. Since the prices of most building materials have been deregulated and there has been a large overall increase in the prices of almost all of

them, the present way of managing controlled prices for building materials must be reformed to adapt to the needs of a market economy. We recommend that departments in charge of provincial construction improve their work in this area, regularly keep abreast of information on the prices of building materials, and publish the market prices of building materials quarterly to help in settling project accounts.

6. Allowances should be made for the actual problems of construction companies, and the profit contract index should be rationally adjusted. Construction company contracts are signed at the beginning of the year, at which time the economic losses that might be sustained from large increases in the prices of building materials are not sufficiently taken into account. Construction companies make few profits and cannot digest such large losses from decontrolled prices of building materials. The overall increases in the prices of building materials is caused by chaos in the economic order and is not a construction company problem per se. Contract management requires construction companies to be too responsible for their profit base and tax-and-profit-turned-over-to-the-state base. But too many changes in external factors, such as the reduction in the scope of capital construction, the increases in the prices of building materials, and the increases in policy expenses, and the sharp conflict between "rigid bases" and "flexible factors" make contracts hard to fulfil. Thus, we are asking the provincial government to make allowances for the actual problems of construction companies by realistically and rationally adjusting the 1988 profit contract index. The particular method can be application for a profit index adjustment by the construction company and then joint examination, verification, and approval by the departments in charge of the company, finance departments, and the Construction Bank.

Compensated Lease, Land Use Analyzed
40060436 Beijing CHENGXIANG JIANSHE [URBAN
AND RURAL CONSTRUCTION] in Chinese
No 1, 5 Jan 89 pp 20-21

[Article by Guo Jianwen 6753 1696 2429: "Compensated Land Use in Different Areas"]

[Text] In recent years, provinces and municipalities such as Shanghai, Tianjin, Guangdong, Hainan, Guangzhou, Fuzhou, Haikou, and Xiamen have issued one after another rules and regulations concerning compensated lease and transfer of land use rights. They are summarized as follows:

The scope of compensated lease and transfer of land use rights. Compensated lease and transfer of land use rights is limited to land owned by the state. All underground natural resources and buried and hidden cultural relics are not included in the scope of compensated lease and transfer. Hainan also stipulates that state land whose use rights can be leased and transferred with compensation includes land for construction and agricultural uses,

mines, water surface, and beaches. Land owned by rural collectives is subject to compensated transfer only under the condition that the nature of its use is not changed. Haikou Municipality stipulates that collective land cannot be transferred without requisition approval.

The leaseholder of land use rights. Any domestic enterprise, institution, organization, group, or individual citizen may become a leaseholder of land use rights. Regulations on foreign leaseholders are different. Shanghai and Tianjin stipulate that enterprises, economic organizations, and individuals of countries and areas which do not have diplomatic or commercial relations with the People's Republic of China cannot become leaseholders. Hainan, Fuzhou, and Guangzhou stipulate that foreign, Hong Kong, and Macao companies, enterprises, and individuals can all become leaseholders of land use rights.

The lease period of land use rights. Different areas have different stipulations concerning the ceiling on the lease period of land use rights. Shanghai stipulates that the limit is 20 years on land for recreational use, 40 years for construction use, and 50 years for apartment, housing, commercial, office buildings, scientific, educational, cultural, and public health uses. Anything beyond the limits must be submitted to the municipal government for approval. Tianjin Municipality stipulates that the general limit is 50 years and that extension may be given with approval if there is a special need. Guangzhou and Shenzhen stipulate that the longest period is 50 years. Xiamen stipulates that the lease periods of land for different uses range between 30 and 70 years. The three pieces of land leased out by Fuzhou are respectively 50, 80, and 90 years.

The methods of lease and transfer of land use rights. The compensated use of land includes two levels. The first level is leasing land use rights, which refers to the government leasing state land to the leaseholder. The second level is transferring land use rights, which refers to the leaseholder transferring land use rights to another holder for the remaining period of the lease. The method of leasing land use rights includes mainly negotiation, bidding, and auction. The method of transferring land use rights includes gift, sale, exchange, and inheritance. Hainan and Shenzhen stipulate that the method of transfer of land use rights may be determined by individuals involved.

Mortgaging land use rights. Shanghai, Hainan, Guangzhou, Shenzhen, Fuzhou, Haikou, and Xiamen stipulate that land use rights may be used as a mortgage. Shanghai and Haikou also stipulate that buildings and attachments on land may also be used as mortgages. Fuzhou stipulates that a leaseholder may mortgage land use rights for loans. To mortgage land use rights, one must sign a mortgage contract and register with the departments concerned. With regard to the scope of mortgagees, Hainan is the only one to stipulate that Chinese and foreign banks and other financial organs all may become

mortgagees. With regard to the period of mortgage, Hainan stipulates that it cannot exceed the limit of the period of the land use. Shenzhen stipulates that it should not exceed the expiration date in the original land use contract. Shanghai, Shenzhen, and Haikou stipulate that if a mortgagor cannot pay his debt, the mortgagee has the right to auction off the mortgaged land use rights and use sales income to pay for the debt.

Revoking land use rights. Land use rights may be revoked for the following reasons:

1. Expiration of contract. Shanghai, Hainan, Haikou, Guangzhou, and Xiamen stipulate that when the lease contract expires, land use rights and whatever is on the land will be returned to the government without compensation.
2. Contract violation by leaseholders. Shanghai stipulates that if a leaseholder fails to complete the construction of building according to the terms of contract, he may be fined and his land use rights may be revoked without compensation. Shenzhen stipulates that if a leaseholder fails for 2 consecutive years to invest in construction according to the terms of the land use contract, the government has the rights to revoke the contract, take back the land use rights, and give him some compensation according to the investment situation. Haikou stipulates that if a leaseholder fails for 2 consecutive years to carry out development and management projects according to the contract, he may be fined and his land use rights may be revoked without compensation.
3. Demand of public interests. Shanghai, Hainan, Guangzhou, and Haikou stipulate that land use rights may be taken back before the expiration date to meet the demand of public interests and that definite compensation may be given to leaseholders.

Stipulations concerning the restrictions of the resale of land use rights for profit. Shanghai stipulates that before the building described in the lease contract of land use rights is completed, land use rights cannot be transferred. Hainan stipulates that development companies are not allowed to transfer undeveloped land. Shenzhen stipulates that if a leaseholder's investment in development and construction is less than 15 percent of total investment in addition to land payment, he is not allowed to transfer his land use rights. Haikou stipulates that no transfer is allowed before buildings and other attachments on the land are completed. Xiamen stipulates that land use rights may be transferred only if development and construction funds reach 20 percent of total investment after deducting land payments.

Fees and taxes to be paid by leaseholders after gaining land use rights.

1. Rent of land use rights. Generally it is stipulated that after a leaseholder gains land use rights, he should pay for the lease of land use rights (or land payment and rent).

2. Land use fee. Shanghai, Hainan, and Shenzhen stipulate that leaseholders who gain land use rights should pay land use fees.

3. Title tax. Shanghai and Hainan stipulate that leaseholders should pay a title tax after gaining land use rights.

4. Value-added tax. Hainan stipulates that land users and transferrers should pay a value-added land tax if their land has appreciated during use and transfer.

5. Property tax. Shanghai stipulates that leaseholders should pay a property tax if they build buildings on the land they leased.

6. Consolidated industrial and commercial tax and income tax. Shanghai stipulates that if leaseholders transfer land use rights along with buildings or rent the buildings, they should pay consolidated industrial and commercial taxes. If they run businesses on the land, they should pay income taxes.

FOREIGN TRADE, INVESTMENT

Study Finds Continuing Problems in Foreign-Invested Enterprises

40060736d Beijing GUOJI SHANGBAO in Chinese
16 Mar 89 p 1

[Article by XINHUA correspondent Shi Yusheng 4258 3768 3932 and Xiao Huijia 5135 6540 1367: "We Must Create Favorable Conditions for Foreign-Invested Enterprises—Fujian Is Third in Foreign Invested Enterprise Management Study"]

[Text] When our correspondents recently conducted an investigation into Fujian's coastal foreign invested enterprises, many of the Sino-foreign enterprises reported that after they go into production they still encounter many problems in operations, the external coordination services cannot keep up and phenomenon such as administrative interference and random collection of fees appear. They all sincerely hope that all governmental levels can create a good external environment so that the foreign-invested enterprises can really institute management according to international convention.

Many of the Sino-foreign enterprises that spoke with our correspondents had many complaints about the unfavorable external environment, but they were also anxious and didn't want to discuss specifics, so not only will these problems not be resolved, but they will also cause trouble. Despite this, of the large number of phenomenon we ran into, we saw enough to get an idea of what it is generally like.

1. The Supervisory Departments Are Too Authoritative and There Is a Lot of Administrative Interference

According to international convention the Board of Directors is the highest power structure in an enterprise. However, in some foreign-funded enterprises the Board of Directors is an empty body, and if many decisions do not gain approval of the supervisor body, they cannot be adopted, and even the hiring and firing of plant managers must be approved by the supervisory department.

2. Authorized Units Abuse Their Power, Setting Up Obstacles

Some businesspeople jokingly said that if you say the supervisory departments are the mothers-in-law, then some powerful units are "aunts" and "aunts" are even more difficult than mothers-in-law. They take all power into their own hands, erratically extorting fees and causing indescribable problems for the foreign-funded enterprises.

3. Raw Materials Prices Are Rising, and So Are Production Costs

Some of the raw materials needed by the foreign funded enterprises do not fall under the national supply plan, but must be obtained through market channels. In the past two years raw materials market prices have risen dramatically affecting the economic efficiency of some of the foreign-funded enterprises.

4. There Is a Shortage of Floating Capital and Enterprises Are Lacking Vitality

According to a November 1988 study of 25 foreign-funded enterprises, real value export production flourished in November-December, overall requiring 53.35 million yuan of floating capital, but they did not obtain any loans.

According to international convention, creating a favorable external environment for foreign-funded enterprises has become a very urgent problem requiring resolution. Many of the Sino-foreign enterprises made the following suggestions:

The supervisory government departments could observe methods used overseas and have the government set better taxation methods, using tax collection to adjust the overall economic relationships and economic efficiency of the departments, so the foreign-funded enterprises would only act as taxpayers in contributing to their responsibility for service to society. In this way the foreign-funded enterprises could avoid the excess interference of the supervisory departments and the various corruption of society and really carry out operations activity independently, becoming corporations in actuality as well as in name.

Establish an open financial market for the convenience of operations of foreign-funded enterprises according to international convention, and create a reliable, smooth financial environment. Actively develop multiple types of structures such as regional banks, joint-stock banks, cooperative banks, and investment companies, and allow overseas Chinese, and foreign businesspeople to open commercial banks in the open zones. This will bring together the many types of financial structures of the government, citizens, foreign investment and overseas business, and will promote a competitive climate. On the short term financial market foundation we currently have of discounting debts, exchange of commercial notes, we would develop bonds, stock and other long-term financial markets, which would greatly expand the scope of our foreign exchange adjustment centers, and correspondingly expand the partners participating in adjustment, eliminate regional limitations and gradually evolve into a foreign exchange market; actively develop international financial services, and link together our domestic financial markets with international financial markets.

By bringing together the domestic and foreign markets, domestic capital sources and foreign capital sources will be brought together developing a rationally allocated market pattern; on the foundation we have already built of a partial production materials market, we would go one step further and raise the degree of openness, so the markets include steel, wood, cement and other materials for which there are shortages, causing them to unify as quickly as possible.

While in the process of establishing new regulations we ought to boldly bring in some foreign practices which are useful for us and create new forms for them; China has some rather mature conventions, and they can be accepted by foreign businesses, so we should quickly codify them in law; some regulations and codes are not usable, and they should be corrected or replaced. In addition, we should also establish an arbitration system that is appropriate for the needs of foreign interaction.

To resolve the contradictions of unfair taxation we recommend a rapid reform of the tax system.

Steps for Continued Growth of Machine Electronics Exports to West Europe
40060736b Beijing GUOJI SHANGBAO in Chinese
16 Mar 89 p 3

[Article: "Suggestions for Increasing Share of West Europe's Machine Electronics Market"]

[Text] This year China's exports of machine electronics products to West Europe have grown very quickly, from \$87.16 million in 1985 to \$2.5 billion, which is an increase of 187 percent.

To develop this West European market even further, we must pay attention to the following points:

1. We must grasp the basic industry, organizing our production according to the standards of the importing nation and correcting the product quality. Exporting machine electronics products to industrially advanced nations should mostly be carried out in accordance with the basic procedure of the opened international market. The first stage is sample inspection and test markets. Once a product has passed through the test sales stage the manufacturing enterprise must concentrate its strength on first breaking into one market, and after getting on firm footing, then expanding its markets. You cannot do what some firms have tried where before their product has even been accepted in one market they are already promoting it in other places. If they discover that it is not working in one location, they go to another, and the result is that they create a bad impression everywhere they go. The second step is emphasizing small batch sales and paying attention to resolving the problem where the quality of the main supply of the product is not equal to that of the sample. Third is the sale of batch product stage. In this stage you must be sure to follow the market demand and the contract regulations to set a time and quantity to be supplied. In the process of establishing basic procedures, first we must accelerate implementation of machine electronics product export quality licensing system and secondly we must complete basic system of export product inspection and safety assurance.

2. We must stop fighting disorganized battles by establishing stable distribution channels and normal procedures for each type of product. We must quickly put contracts in the hands of the manufacturing enterprises and foreign trade enterprises and completely eliminate the big rice bowl and diligently implement opening of operations on a foundation of responsibility for profits and loss; strengthening industry cooperation and manage a unified approach to foreign markets; establish normal procedures for foreign sales and, within a set range, there should only be one seller selling a product on commission. Each foreign trade and industrial company should capitalize on its own strengths and special characteristics and appropriately define its range of operations so as to fully make use of the abilities of the chamber of commerce in areas such as coordinating the market, prices and division of labor, and the government should support the chamber of commerce even more.

3. Strengthen the cooperation between industry and trade so they are approaching the international market together. We must resolve the old problem of the division between industry and trade. Industry and trade must both call on their own capabilities and uses and together engage in exporting; different ways of developing cooperation must be pursued; continue to promote the agent system. Foreign trade and manufacturing enterprises must together take on the responsibility for after-sale service.

4. Make use of the multitude of trade methods to expand machine electronics exports. Examples of this are forming a combination of imports and exports, for imports taking away exports, "borrowing a boat to set sail," using foreign distribution channels and capabilities to expand exports, developing overseas transnational corporations, developing "three forms of importing and compensation trade" cooperative production, etc.

5. Improve domestic raw material supplies, while assuring foreign supplies also developing processing of imported raw materials. To resolve the raw material problem, we must organize domestic raw material supplies and use the 30 percent material foreign exchange well, fully utilizing the beneficial international conditions to develop processing of imported materials.

6. Replenish the sales structures overseas and actively cultivate personnel to handle the international market. We have to pay attention to the rational layout of overseas operations, strengthen coordination between home and abroad, in a planned fashion establish product distribution centers, and we should work hard to train personnel who can handle the international market, and who also have rich experience in opening the international market, people who are called "foreign experts."

7. Establish a machine electronics products trade information system. The first step is establishment of an industry information system, the second step is establishing a world machine electronics economic information system on the foundation of the industry information system that will be a service for all the machine electronics exporters.

8. Fully utilize the financial structures to support export of machine electronics products, so that they provide credit assurance for activities of operations overseas, research the financial dynamics of the international market and assist the company so that it has greater ability to withstand exchange rate risk.

9. We should set a medium- and long-term plan for opening the West European machine electronic market. In the initial stage we should aim for Chinese machine electronics product to occupy approximately 1 percent of the West European imported machine electronics market by 1995. After 1995 we should strive for a big change in our commodity export structure, so that we are focusing on our products that have more concentrated technology. Finally, we must greatly expand loans for machine electronics exports, and we must focus on programs that raise the quality and grade of our key products, and make technical overhaul of certain business and we should provide an ample source of marketable goods for our key markets.

MOFERT Regulations on Reinforcing Management of Capital

40060736b Beijing GUOJI SHANGBAO in Chinese
14 Mar 89 p 1

["MOFERT Regulations on Reinforcing Management of Circulating Capital—MOFERT Requests Units at All Levels To Realize Internal Potential and Reinforce Management of Circulating Capital"]

[Text] In order to resolve contradictions in capital supply and demand and to make steady progress in foreign trade this year, the Ministry of Foreign Economic Relations and Trade [MOFERT] has recently made an announcement requesting all levels of foreign trade enterprises to actively give strong support to all levels of banks and local government in completely overhauling the "wait, rely, demand" attitude about capital and adopt a guiding attitude, whereby the enterprises look inward at their management and consider efficiency in making capital requirements, thereby making deep internal reforms, raising the enterprise quality, improving operations management, and creating an important path towards resolving the capital supply and demand contradictions and towards tackling the task of capital management. This process starts with unearthing internal capital and working diligently to raise capital efficiency.

The announcement states that all levels of leadership must personally take responsibility and, starting from the beginning of the year, must distribute and coordinate all links of capital management, work among the organizational warehouses, planning, auditing, finance, and enterprise management divisions, and fundamentally change the phenomenon whereby "those who use money aren't accountable for it," establishing instead a system whereby "those who use money manage the money," and achieve rapid results.

Each enterprise must establish a system for augmenting their own capital and must follow the principle of first obtaining capital and then distributing it; and on a quarterly or yearly basis, taking a portion of reserved profits or accumulated capital and using 10 percent to replenish its own capital. According to the MOFERT regulations, light industry, handicrafts, and clothing are three test industries that are required to replenish their own capital.

We must greatly strengthen inventory management for export products, adjust the inventory structure, and work towards achieving a comprehensive balance between purchasing and selling. Inventories should be checked on a regular basis, inventory structure analyses should be performed, and regulation of the quantity and price of products that have a ready market, unsaleable products, and export costs, and then come to a point where we feel confident about the condition of our inventoried products. We must maintain rational inventories and accelerate inventory turnover. We should try, with our marketable products, to complete sales early on,

export them early, and strive for good prices; for those overstocked products for which there is no foreign market, we should quickly turn around and sell them domestically, and thus avoid the hidden danger of tying up capital, spoilage, and changes in quality by being overstocked. By putting a stop to the phenomenon of "forcing commodity prices up and panic purchasing" and purchasing blindly, we will be strengthening the planned management of purchasing links.

The announcement also addresses strengthening capital management for closing accounts. All types of receivables and payables, selling on credit, prepayments, accounts receivable from overseas, departments that are behind in their import loans must be cleared by the enterprise one by one. For foreign and domestic debts, collections must be made with the assistance of the bank, especially for large accounts that are long overdue. Specialized debt collection groups should be formed, and they should press for repayment of the debt. Finally, regarding import orders, the requesting department must first fix the amount of foreign exchange and renminbi before the order is approved.

Choose a rational export accounting method and shorten the collection period. When signing the agreement with the foreign party the possibility of using a time letter of credit method for settling accounts should be explored, reducing the ratio of non-credit collection and long-term letter of credit in the accounts; actively seek export loans from the banks on security and letters of credit discounts. Strictly control administrative expenses and enterprise management costs. Each location and each enterprise must correct bad habits such as extravagance, ostentation, overindulgence and go one step further towards expanding the development of "double increase and double economy," and concentrate the limited capital on expanding exports to earn currency.

Make rational use of floating capital. The use of enterprise floating capital must be strictly regulated, and it cannot for any reason be casually taken, withdrawn, or transferred. If this type of situation is discovered, then all levels of MOFERT must take disciplinary action, together with the banks.

Export drawback must be handled in a timely fashion. Enterprises must actively make contact with the local taxation bureau and manage their export drawback on time. When problems with export drawback are encountered they should relay them to the supervisory department and have them resolved.

The final part of the announcement was that each enterprise must set standards and gradually establish a capital management responsibility system. Each supervisory department should study requirements set by the People's Bank of China for this year of 4 percent accelerated capital turnover, of accelerated time standards for all enterprise capital turnover and related hidden potential standards, and set higher levels of

standards for all enterprises and bring them down to the division, group and individual level, as well as create appropriate incentive measures and gradually set up a capital management responsibility system. At the same time, we must complete the analysis of capital utilization, inspection, and supervisory work.

LABOR

Optimizing Labor Combination Can Improve Economic Benefits

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[Article by An Shikui 1344 1102 1145: "How Should Labor Combination Be Optimized?"]

[Text] *Editor's Note: Optimizing labor combination is an important part of the deepening of enterprise reform. It has important significance in reforming our country's traditional labor and wage systems, improving the quality of the technology and business knowledge of the staff members and workers of an enterprise, and also in improving the labor productivity rate. In October 1988 the Beijing Municipal Management Cadres Academy, acting on behalf of the State Structural Reform Commission, organized a "Discussion Panel on Optimizing Labor Combination of Enterprises" attended by the labor bureau chiefs of 26 provinces, municipalities, autonomous regions, and cities listed in the state plan as well as a number of plant heads and managers. This article carries the explanatory notes written by An Shikui of the academy for a teaching manual on mathematics.*

In the course of deepening enterprise reform, certain units, like the Beijing 2d Motor Vehicle Plant, Beijing Pharmaceutical Plant, Beijing 2d Coal Plant, the State-Run February 18 Plant, and the Beijing Electrical Meters Plant, actively pushed the optimizing of labor combination and have achieved success. By the end of August 1988, in Beijing Municipality 514,000 staff members and workers of some 430 industrial plants had carried out, or were carrying out, the optimizing of labor combination. Facts have shown that optimizing combination lashed the ossified fixed labor system, aroused the enthusiasm of entrepreneurs or managers of enterprises and producers, improved economic benefits, improved various reforms, and attracted the important attention of various sides.

On October 20, the State Structural Reform Commission entrusted the Beijing Municipality Economic Management Cadres Academy to organize a "discussion panel on enterprises optimizing labor combination" in which labor bureau chiefs and plant heads of 26 provinces, municipalities, autonomous regions, and cities separately listed in the state plan participated. Based on the actual experiences of a portion of the enterprises in Beijing, our academy compiled several problems relating

to optimizing labor combination into mathematical illustrative cases, recommended them to the students, and offered them to comrades who are keenly interested in the reform.

There are five main points in these mathematical records:

- I. The meaning of optimizing labor combination;
- II. Necessary character of optimizing labor combination;
- III. Enforcement of optimizing labor combination;
- IV. Necessity of reforming the internal distribution system in optimizing labor combination; and
- V. Problems that should be noticed in carrying out the optimizing of labor combination.

I. The Meaning of Optimizing Labor Combination

The so-called optimizing labor combination means that an enterprise, based on the demand in production operation, starting from the actual condition of the personnel and equipment, breaking the original composition structure of the personnel, following the demand of full-load operation, and after undergoing training and examination making the conditions open, making a two-way selection and carrying out competition on equal terms finally forms a labor grouping that presents the best front. It may also be called the newest scientific arrangement or disposition of personnel in production operation. Here, "optimizing" implies a higher demand on the quality of labor forces and the labor organization and involves a selective process. "Labor organization" implies the concrete combination form of productive force and the means of production. The nucleus of optimizing labor combination is the breaking of the "three pieces of iron," namely, "iron armchair," "iron rice bowl," and "iron wages," and reforming the traditional system of using labor with the purpose of raising production and the efficiency rate of work. The governing principle is "making people do their utmost and getting the utmost out of the time available." The method is competitive contracting and two-way selection. The ultimate objective is liberating the productive forces, improving the quality of the workers, and improving the economic benefits of the enterprise and of society.

II. The Necessary Character of Optimizing Labor Combination

Should an enterprise optimize labor combination or not? Let us seek an answer from the facts. The article by a group of reporters appearing in the 12 July 1988 issue of Beijing QINGNIAN BAO cites the following example:

A certain state-run, medium-sized factory in Beijing has a staff of more than 1,100 people, but the number of production workers (including apprentice workers) is only 454. At 0900 on the morning of 20 June, the bell sounded to start work. By 0900, altogether 94 people reported late for work; of them some lived in a dormitory

less than 100 meters away. The reporter asked a young man wearing slippers why he was late. He replied, "It's enough to have shown up at all; some people don't even do that." At 0945, in the door of each workshop people assembled, engaging in conversation about the low wages, the rise in commodity prices, and so forth. In the morning, 1200 was the time to stop work, but by 1100 the machines in the various workshops had stopped moving and by 1130 the people had scrambled to the dining room for lunch. In the afternoon, the atmosphere was even more relaxed. The time to leave work was supposed to be 1700, but by 1530 people began to leave. At 1700 the whole factory area was quiet and you could hear only the birds singing.

On 20 June at a certain plant in Beijing, the bell calling for starting work sounded at 0815. By 0830, 63 workers were found to have come late. It had been reported that this plant had a rather full load of work and that workshop No 6 was particularly busy. At around 0900 the reporter visited workshop No 6. He found a rather animated scene, many women were seated around chatting to each other but the machines and working lines were immobile. Four workers were found lying on the tables, probably still asleep. At 0930 in the plant's experimental hall, two underaged workers were playing chess, using screws as the chess pieces.

On 26 June, in a certain plant in Beijing, the morning work hours were supposed to begin at 0820. By 0900, including some 70 persons who had come late, at most not more than 350 persons reported for work. The plant's total number of staff members and workers was more than 800; there was basically no middle shift or night shift. After 0900 the reporter went to the most prestigious building of the plant, the assembly hall. Workshop No 1 was the plant's principal production workshop. It was equipped with 17 advanced production lines, but only 5 of them had anyone working, there being in all some 20 people working.

It is understood that in 1987 the plant suffered a loss of 120,000 yuan and in the first half of 1988 it again incurred a loss of 400,000 yuan and owed the bank loans amounting to over 2 million yuan.

With a grim face, the workshop chief made the following explanation: "Our plant's main production lines were recently imported from Japan. Although they are extremely advanced, the spare parts and raw materials all must be imported from Japan. Because of the shortage of foreign exchange, starting from the day the lines began work, raw material supply could not catch up and production had to be stopped from time to time, it being estimated that during a year, it was not in normal operation half the time. As a result, there was no way out except to pay the workers 60 percent of their monthly wages and allow them to go home. Beginning in June 1988, the amount was reduced to 50 percent while the monthly pay of those workers remaining behind in the plant to do the actual work was only some 30 yuan more.

A former plant head was even more full of remorse. He thought of soliciting an application for a medium-grade cadre but nobody wanted the job. He thought of dismissing a worker who had seriously violated labor discipline but there were many obstacles in the way. He thought of encouraging and rewarding advanced staff members and workers but he was short of the necessary funds. He had held office 9 months, but the plant had made no progress at all and he found it very difficult to work in this plant.

The above is only a part of the conditions reflected in the report carried in the Beijing QINGNIAN BAO. In fact, nobody will deny that in many of the enterprises discipline is lax, work is dilatory and sluggish, the workers argue over trifles and are generally irresponsible, and the enterprises are overstaffed. "The work of three people has to be done by five," "tenseness in the first line, laxity in the second line, and a swollen state in the third line,"—all these phenomena are frequent. In certain of the enterprises, production workers on the first line work at most 5 to 6 hours a day, and some as few hours as 3 to 4 hours a day. Some people have estimated that nowadays, at least one of every three workers is idle, doing little or no work.

Naturally, the causes leading to such a state of affairs are multifaceted. Of them, there are historical causes and also factual difficulties; there are problems of changes in concepts and also problems of the backward state of management.

Then how is it possible to transform this situation into a better one and where or how shall we start? In actual practices, certain enterprises in Beijing have found a relatively better method. It calls for crushing the "iron armchair," crushing the "iron rice bowl," and crushing the "iron wages," enforcing the optimizing of labor combinations and reforming the system of using labor. Actual practices have shown that optimizing labor combinations helps in introducing the competitive mechanism and enlivening the fixed labor system; it is beneficial to improving the quality of the staff members and workers; beneficial to implementing the "full-load work method," improving and strengthening enterprise management, and improving the quality of the enterprise; beneficial to enforcing the contracted management responsibility system and improving the enterprise's operation mechanism; and beneficial to arousing the enthusiasm of the extensive masses of staff members and workers and raising the enterprise's economic benefits.

III. Enforcement of Optimizing Labor Combinations

How to proceed with optimizing labor combinations? According to the experiences from actual practices of certain enterprises in Beijing, this work may generally be divided into five stages in progression, namely, the investigation and research stage, thought mobilization stage, training and inspection stage, combination execution stage, and placement or surplus personnel stage. The work in these 5 stages is not done singly or in isolation

but they are mutually in liaison, supplement each other and complement each other. According to their order, the content, methods, and demands of each stages are as follows:

First, investigation and research stage.

After an enterprise has decided on optimizing the labor combination, first of all it should organize a working team headed by the principal leadership person to acquire a clear and deep understanding and analysis of the plant's internal condition, learn the experiences of progressive plants, and develop investigation and research activities. On the basis of an extensive and penetrating investigation, starting from the plant's actual conditions, combining with the strategy for production operation and development, based on the demands of the various functional departments, various work stages, various work procedures, various types of work in production, the condition and technical conditions of the enterprise's personnel, and also based on the large or small size of the volume of work, make a new plan of the organizational structure, program of fixed personnel, standard of posts and positions, determine the number of personnel for the posts and their distribution, and propose a more systematic plan and program for implementing the optimizing of the labor combination. For the sake of doing a good job in optimizing the labor combination plant head Zhao Fakui of the Beijing 2d Motor Vehicle Plant assigned six cadres to spend half a year's time to go deep into the workshops to understand the conditions, even to the extent of using a stopwatch to measure the minutes and seconds a first-line worker spent on his work. In the case of the Beijing 2d Coal Plant, the staff members and workers were called on from the bottom grade to the top grade, and vice versa, to repeatedly hold discussions and make revisions on the formulation of the responsibilities of 199 posts, post technique, post discipline, and 72 rules of professional moral standards. By so doing, optimizing labor combination has a basis and reliance to fall upon.

Second, stage of thought mobilization.

Ideological work must go through the whole process of optimizing labor combination. Here, though, mobilization is taken as a stage because doing a good job in ideological work ensures doing well in optimizing labor combination. Regarding this, an enterprise's leadership must give it sufficient attention, must do this work first, and, particularly on the initial stage, must adopt various forms to make each and every staff member and worker understand the reason for optimizing labor combination, how to carry it out, and the principle of the combination.

In the stage of thought mobilization, six leadership cadres of the Beijing 2d Coal Plant, including the plant head and the secretary of the plant CPC Committee, went deep into the workshop and offices, carried on dialogues with staff members and workers and did ideological work on the staff members and workers. The

labor union and the youth league organ organized active cooperation, employed various means such as factory press, blackboard news, group discussion meetings, "one-second knowledge" competitive games, and so forth, to propagate to the staff members and workers the significance and principle of optimizing labor combination and selecting the optimum personnel for the posts. They reaped good results and ensured the success of the reform.

Third, training and examination or inspection stage.

Training and inspection of the staff members and workers before proceeding with optimizing labor combination is an important component, is a prerequisite for optimizing labor combination, and is also a kind of regular work in realizing the continual optimizing of labor combination. Here, the training mentioned is not training of a general meaning but is, for the sake of performing well the optimizing of labor combination, the taking of a definite period of time to organize the cadres and workers to learn the standards of the new posts, and to employ the spirit of the reform to arm the minds of the staff members and workers so as to meet the demands of the reform. Inspection or examination includes two separate contents: One is by means of a test or examination, and based on the new demands of the post, examining the extent of knowledge grasped by staff members and workers on what they should know and understand and their ability to act accordingly; the other is to evaluate the labor attitudes and contributions of each and every staff member and worker. According to the actual inspection and examination, and using a unified standard, points are given on each item. Those whose results are up to standard (60 points) have the qualifications to join the labor combination and those not up to the standard will temporarily lose their qualification to join. The records of each individual's results will be entered into his or her own culture and technology file.

Fourth, stage of implementing combination.

This stage is the key stage of optimizing labor combination. In this stage some real work must be done. Hence, it is necessary to discreetly select the opportune time for conversion into combination. According to the experiences of actual practices, the most opportune time is when the cadres and workers have an urgent demand for combination and when the various kinds of preparatory work have been completed. At the same time, when the opportune time arrives, the principal leadership cadres should, in combination with the strategy for production operation and the demands of the current contracted tasks, personally and further explain to the whole body of staff members and workers the guidance thought, principle, basic conditions, methods and steps of optimizing combination in order to make the staff members and workers fully understand in their hearts and to correct and rectify their attitude. Furthermore, they

should arouse the people's competitive instinct and realize the important nature of optimizing so that in the various posts and positions optimized combination is truly realized.

After conversion into the stage of implementing combination, the actions must be fast and there must be no delaying or dragging on. The order of optimizing the combination generally starts from streamlining the structure and appointing cadres and using this to lead the workers in the posts to optimize combination. The order of appointment in combination is: the plant head appoints the workshop (section or office) chief, the workshop (section or office) chief appoints the team or unit chief, and the latter appoints the team or unit members.

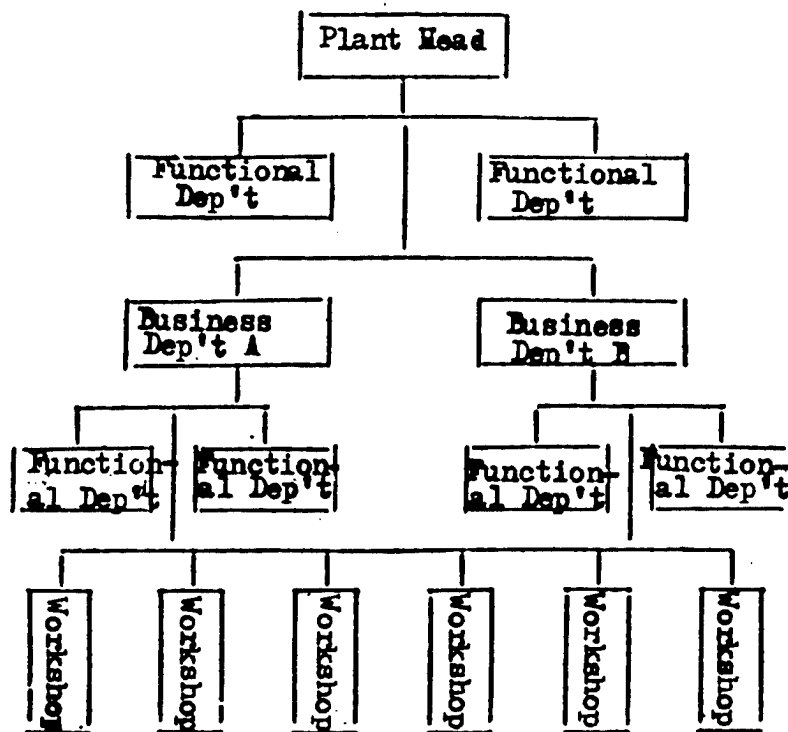
(1) Regarding the optimizing of organizational structure.

Streamlining the structure has been our call for many years; it has been repeated many times but the problem still remains unsolved. Following the deepening of the reform, streamlining the structure has scored a breakthrough. In particular, optimizing the labor combination has made the line of thought of streamlining the structure become clearer every day. This calls for breaking the bondage of old concepts, requires starting from the needs of the development of enterprise's production operations, and must be beneficial to the thorough implementation of the plant head (manager) responsibility system. Establishment of the enterprise structure depends principally on whether or not it can benefit the enterprise's production operations. The structure that can increase benefits should be strengthened, otherwise it will be eliminated.

The Beijing 2d Motor Vehicle Plant broke through the restriction that in a structure the upper and lower levels must synchronize with each other and installed the department and office functional system under the leadership of the plant head. That is, in the new structure there is no assistant plant head, and six departments and one office were set up. Under the plant head's direct leadership are the enterprise management department, production operation department, technology protection department, products development department, plant construction command department, administrative department, and plant head's office. Under the departments are sections and branch factories. Following readjustment, the original 42 sections and offices are optimized into 35, thus eliminating 7. By so doing, management levels are smoothed out, the internal operational mechanism is improved, and outstandingly displayed was the central position and central role of the plant head as the policymaker of the enterprise's production and operations.

At present, in the disposition of the organs of an enterprise, the principal idea is to do some work in the transformation of the traditional system of direct line functions, which has the main purpose of ensuring the

Table 1—Business Department System



enforcement of the plant head responsibility system. Summing up, in general there are the three forms of business department system, the operational power-centralization system, and the department and office functional system.

Business department system. Under this system the workshops are divided according to products into different profitmaking centers, and these centers have independent autonomous power in operation, have their own products, and can independently sell to the outside. Please refer to Table 1, below. Under the plant head are functional and counseling departments and a number of business departments. Under the business departments are functional departments and production workshops.

Operational power-centralization system. This is the form of structure in which the plant head makes the decision and execution of his command is carried out level by level. Please refer to Table 2, below. The plant head takes command over the assistant plant head and the three chiefs (chief engineer, chief economist, and chief accountant), the assistant plant head and the three chiefs take command over the relevant departments and the relevant departments take command over the sections and offices, while the production operation section takes command over the workshops.

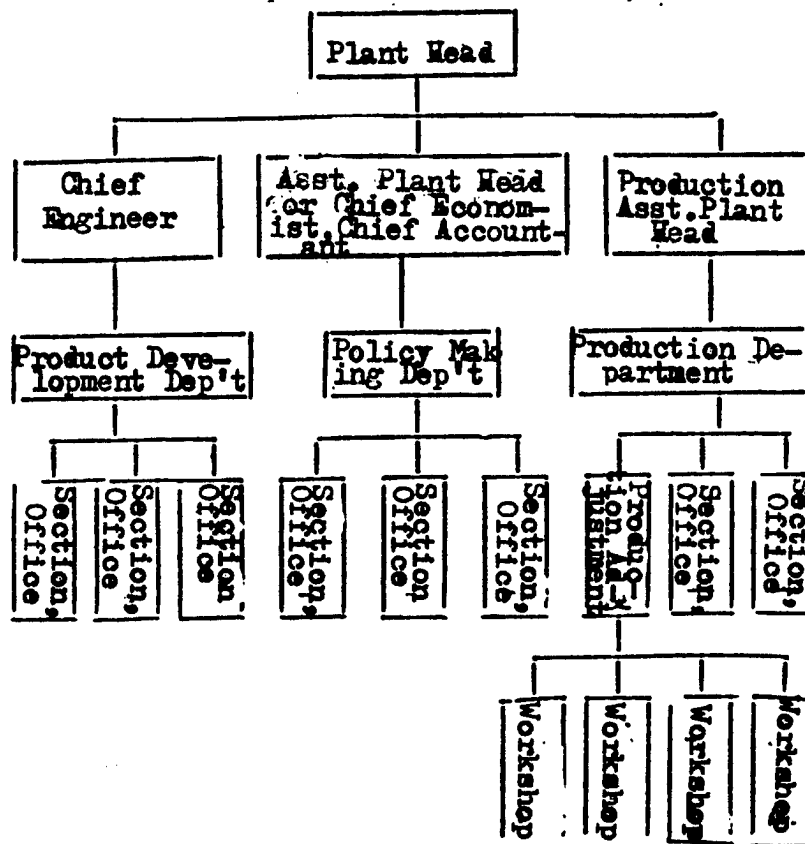
Department and office functional system, that is, amalgamating those sections and offices whose functions are nearly alike or which are redundant and establishing, under the plant head's leadership, an organization structure of departments and offices. Please see Table 3, below. Under the plant head are set up functional departments and under the functional departments are set up sections, offices, branch plants, and workshops.

Actual practices have shown that these several forms can strengthen the vertical liaison and lateral liaison of the enterprise, are beneficial to coordinating activities between the various departments, are beneficial to improving efficiency, can make the enterprise better suited to changes in the market and outside environment, and help its long-term development.

(2) Optimizing combination as related to cadres.

The renewed combination of the structure necessarily leads to changes in the personnel, some people needed to go up and some other people having to step down. But how to determine the number of people to go up and the number of people to step down, and who should go up and who should step down? This requires optimizing the combination of cadres. And this is related to the big problem of whether or not it is possible to break the iron

Table 2—Operational Power-Centralization System

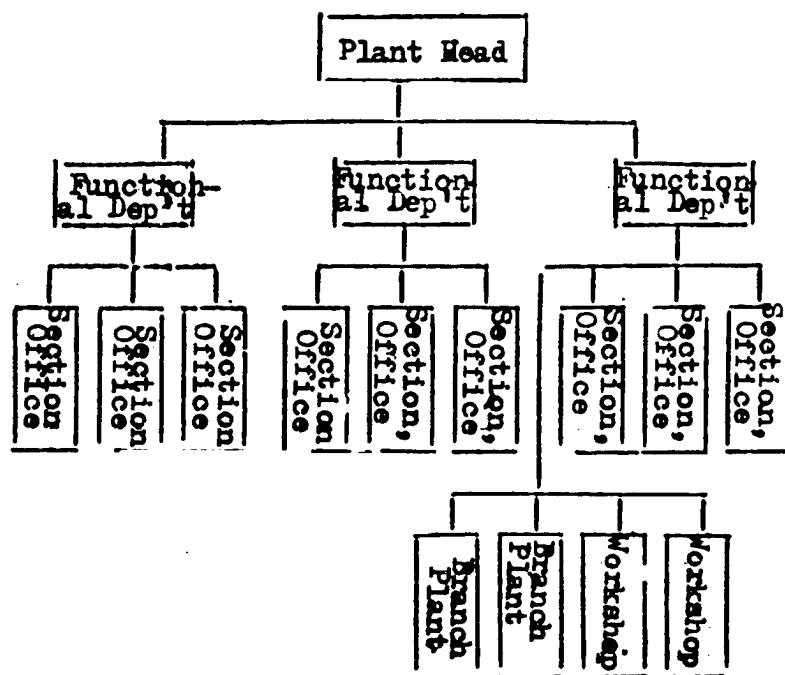


armchairs of the cadres. There is no way to bypass this problem. The Beijing Pharmaceutical Plant adopted the method of fixing the work volume first and following up with fixing the number of people to fill the posts, that is, first determining the volume of work of the various kinds of administrative work, then, based on the standard of full-load work, finding out how many people are needed for this volume of work, and finally fixing the number of people needed. This solves the problem of the number of people to go up and the number of people to step down. By using this method the Beijing Pharmaceutical Plant disposed of 30 percent of the administrative cadres, or, in other words, breaking 30 percent of the "iron armchairs." The Beijing Electric Meters Plant handled its first optimizing in 1984, when it did away with 47.8 percent of the medium-level cadres, and this at once aroused the violent reaction of the cadres but, as a result, the cadres' enthusiasm for work was generally increased. The best method of determining who should go up and who should step down is to follow the principles of "publishing the conditions, equal opportunity to all, equality in competition, and selecting the best for appointment." By so doing, those who go up are full of fighting spirit while those who step down have no complaint. When the Beijing 2d Motor Vehicle Plant

was to select and appoint the section chief of general affairs, the matter was announced publicly, and eight cadres applied for the post. Who then should be appointed? The plant's department in charge then called a public meeting at which the eight comrades all expressed their views and each offered his program to administer the section. Judgment was then given by the meeting and who should be the section chief was determined. By so doing the degree of transparency was high. Everybody was satisfied as to who should go up and then who lost out were contented both in words and at heart.

Regarding the standard for selecting and employing people, many units have scored new breakthroughs. The Beijing Pharmaceutical Plant firmly insisted on the appointee being both virtuous and talented. It used as the ultimate standard actual ability in work, and it broke the sundry regulations such as the individual's past experiences, or being on the front rank in qualifications, or ability to produce a college or university diploma; it dared to hire youths with vigor to fill leadership posts at various levels, and determinedly refused to employ elderly "good people" whom everybody supported but whose performance record was just ordinary. Among its newly appointed cadres were college graduates who had

Table 3—Department and Office Functional System



been with the plant for 3 or 4 years, as well as workers on the first line of production. Following appointment, these people showed vigorous enthusiasm in their work and elicited good appraisal from among the staff members and workers.

At present, there are four principal ways in the selection and appointment of middle-level leadership cadres and ordinary management cadres: (1) Selecting the best for appointment, that is, the plant head, based on the actual showing of the cadres, directly appoints those people whose technical and business level is relatively high, whose organization and management ability is strong, whose business record is outstanding and who are generally supported by the populace; (2) appointment through self-application, that is, the cadres and the workers offer themselves for the posts. After due process of evaluation and inspection, the best among them are selected for appointment; (3) Open invitation for job application, that is, the cadres and workers, following the tender regulations, go through public competition and those suited to the specified qualifications are accepted and appointed; and (4) appointment by recommendation and sponsoring, that is, the staff members and workers make the recommendation and following approval by the leadership, those who have been sponsored are appointed.

(3) Optimizing combination of post workers.

Generally speaking, in an enterprise's production procedure, workers at their respective posts are directly responsible for the production of products. Precisely this

position of the post workers determines that the combination of the workers at their respective posts is an important step in optimizing labor combination. Hence, a good job must be done of it.

In order to truly realize the optimizing of combination of workers at their respective posts, the selection of good team or unit chiefs is extremely important. At present, there are three main ways of selecting team and unit chiefs: (1) The general picks the soldier; that is, the workshop chief selects the team or unit chief; (2) the soldiers select their commander, that is, the workers, of their own volition, band together and democratically elect the team or unit chief; (3) through open tender, that is, the contracted targets of the team or unit are made known to the public and application is solicited for filling the post of team or unit chief. Once a team or unit chief has been appointed, he has the power, according to the fixed number of personnel and the fixed organizational chart, to proceed to organize the constituency of his team or unit and this is mainly in five different forms: (1) Selecting the best for the combination, that is, the team or unit chief, based on the demands of each post, select the constituent members; (2) voluntary combination, that is, workers who can easily merge or work with each in respect of character, behavior, ideology, and sentiment freely and voluntarily join together; (3) open tender, that is, the team or unit chief makes public the kind of work required for the post and those who are equal to it are selected; (4) adjustment and regulation combination, that is the workshop, based on the needs of the post, crosses over to other workshops and effect the transfer of workers to fill the combination; and (5)

consultative combination, that is, by consultation, allowing those workers who have certain defects but are still in conformity with the conditions to join the combination. Actual practice has shown that all these measures are workable.

In the combination process, after the cadres or workers, be they of the fixed labor category or the contractual labor category, have been appointed to the combination, both the appointed party and appointing party should finalize their mutual relationship in contractual form. The contract must specify the commencement and termination dates and their respective power, responsibility, benefit, and obligations. The contract must prescribe that during the period of fulfillment of the contract, if one of the parties violates the contract provisions, the other party has the power to ask for terminating and even abolishing the contract.

Enforcing the optimizing of labor combination enlivens the fixed labor system and, possessing a definite scope and to a definite extent, terminates the practice of "once distributed, will last for whole life" in the fixed labor system. It crushes the "iron rice bowl," forms the mechanism of depending on competition to obtain a post, with contribution determining income, thereby strengthens the competitive sentiments of an enterprise's staff members and workers, and is beneficial to realizing everybody doing his utmost, getting the best out of the time element and increasing the enterprise's benefits. Precisely because of this, in the optimizing of labor combination the Beijing No 2 Coal Plant has implemented the contractual management of the whole staff. The contract is of three categories: short-term, medium-term, and long-term; it is voluntarily signed by the two parties of the employee and the employer, and according to the provision of the contract both parties have the power to terminate or dissolve the contract. After the termination or abolishment of the contract, the staff member will find his own employment or wait for employment assigned by society. This method has received the welcome and support of the majority of the staff members and workers of the plant.

Fifth, stage of placement of the surplus personnel.

After an enterprise has gone through optimizing the labor combination, the existence of the so-called concealed unemployed person is an open secret and actually they have become the surplus personnel of the enterprise. The placement of this portion of people is an outstanding problem faced by the enterprise. How this problem is solved is one of the main criteria to measure whether or not the enterprise's optimizing the labor combination has been a success. Hence, it is absolutely necessary to find ways and means to place these surplus personnel and do a good job of it. Otherwise this portion of the personnel may become the unstable elements.

Seen from the actual conditions of the usual run of enterprises, the principal methods of placement of the superfluous personnel are as follows:

- (1) Filling up the first line of production;
- (2) Organizing and training;
- (3) Readjusting the labor organization and carrying out multiple-line production;
- (4) Developing lateral combination and lending support to outside units;
- (5) Dishing out funds to organize tertiary industry;
- (6) Placement within the plant in other posts of a service character;
- (7) Setting up a labor market within the plant;
- (8) Granting retirement long leave;
- (9) Arranging separation and retirement procedure for those who tally with the separation and retirement conditions; and
- (10) Supporting and helping surplus personnel find by themselves jobs outside the plant.

IV. When Optimizing the Labor Combination, Reform of the Internal Distribution System Is Necessary

Generally speaking, implementing the optimizing of labor combination is an attempt to enliven the fixed labor system so as to make the new and old systems (fixed labor system and contractual labor system) become unanimous. Precisely because of this, the problems touched upon are many. Actual practices have shown that isolatedly undertaking the optimizing of labor combination will not work, but along with optimizing it, the related problems must be solved, that is, proceeding with coordinated reform. Of them, an important problem is reform of the internal distribution system of the enterprise. The reasons for this are: (1) The principle of distribution according to work is a basic principle for building a socialist society. Hence, in the whole historical stage of socialism, at any time and in any place it is necessary to implement the principle of distribution according to work. Naturally this is no exception after optimizing the labor combination. (2) One of the objectives in optimizing labor combination is to break the system of the "iron wages." If, after optimizing the labor combination no action is taken against the traditional salary and wage system, we can hardly speak of breaking the "iron wages." (3) After optimizing labor combination, the staff members and workers under the combination are charged with full-load work, the labor volume involved is increased, the created value is also increased and if they cannot get the rational compensation they deserve, the production enthusiasm of

the staff members and workers will be adversely affected, the enterprise's benefits will likewise be affected, and improving the economic benefits will only become empty words. (4) In optimizing the combination, due to the employment of the double-direction selection, and the staff members and workers having the right and freedom to choose their work, if at this time the wage system is not reformed or no effort is made to raise the wage payment on the posts people do not like to take up to a level high enough to attract people to take up such posts, then it will be difficult for certain work posts, particularly the hardship ones, to be filled and it will not be possible to realize the objectives of "double-direction selection and picking the best for appointment" so far as these posts are concerned. (5) After optimizing the labor combination, if the wage system is not reformed and no difference is made between participating in the combination and nonparticipating in the combination, with the remuneration treatment remaining as of old, then inevitably we cannot change the longstanding situation of "everybody eating from the same big pot" and "doing work and not doing any work being treated alike." This would form the situation of wearing new shoes but walking the old path.

Since optimizing the labor combination is a sort of attempt to enliven the fixed wage system, then, according to the needs of optimizing the labor combination, reform of the wage system is a matter of course. In fact, now many enterprises have already obtained experiences on the side of reforming the wage system, despite the imperfectness of such experiences. Nevertheless, seen as a whole, they still have played an important role in consolidating and developing the optimizing of labor combination. For example, the structural trend wage system of the Beijing Leather Products Manufacturing Plant and the post benefit wage system of the Beijing 2d Coal Plant have both achieved good results in their enforcement.

In short, after carrying out the optimizing of labor combination, it is necessary to enforce a wage system which is beneficial to consolidating and developing the optimizing of the labor combination. We must never let it happen that after a moment of enthusiasm, due to the irrational distribution, optimizing the labor combination loses its role and falls into formalism.

V. Problems That Should Be Noticed in Optimizing Labor Combination

The experiences of certain enterprises have told us that to do the work of optimizing labor combination in a down-to-earth manner, there are still certain problems that need to be watched closely and solved. The principal ones are:

First, we must firmly insist on the principle of seeking truth from facts.

After optimizing the labor combination, there are naturally many people who have become surplus or superfluous in the enterprise. The reasons why these people have not been comprehended in the combination are many such as not being fit to their specialization, ill health, engaged in advanced studies, poor relations with people or not in good terms with the leadership, planning a transfer and unable to leave for a time, prevalence of one defect or another, and in fact the situation is extremely complex. Our demands to start from reality in our work, to make concrete analysis of concrete problems, not to one-sidedly emphasize that the optimizing the labor combination is to "select the superior and remove the inferior," or that "my soldiers should follow me...." of that we are "treating laziness," treating "slippery guys," and so on. It is necessary to refrain from forming cliques, and desist from such phenomena as edging out the capable and the talented, avenging former grievances, changing optimizing the combination to optimizing one's relatives, and so forth.

Second, it is necessary to appropriately cut down the wage income of the surplus personnel.

Since the surplus staff members and workers who have appeared in the course of optimizing the labor combination are actually separated from their production posts they are in actual matter of fact "unemployed people inside the plant." Regarding this portion of personnel, on the one hand we should speedily find jobs for them so that they can make their own living; and on the other hand, prior to their finding new employment, their treatment in regard to salaries and wages should be definitely different from staff members and workers busily employed at their posts. Aside from stopping any bonuses to be given to them, their wages should also be reduced proportionately. On this point, the enterprise should never waver in its decision.

Third, we must firmly insist on a dynamic combination.

Based on the viewpoint of development, and speaking from a long-term significance, optimizing the labor combination is not a once-and-for-all "revolution," but is an endless optimizing procedure. In this process, the staff members and workers at the various posts, under relatively stable conditions, ceaselessly go up and down and circulate in a rational manner. This is the demand of objective law. Hence we should firmly insist on the combination being dynamic and refuse to take the old road formed by the fixed wage system of "once being distributed it is for life," or "one can only go up but not down; and can only enter and not go out." And we should desist from "being once combined it is for the whole life." Staff members and workers comprehended in the combination, when found to be unsuited to the demands of their posts, should resolutely be made to leave their posts. When those surplus personnel who had

stepped down from their posts are found to have again possessed the conditions required for the posts, after their passing through a due course of training, they should be allowed, based on actual needs, to fill the posts one again and to take part in the combination.

Fourth, it is necessary to adopt the method of work which makes use of the point to guide the surface.

Since optimizing the labor combination is related to many problems, and since solution of certain of the problems is fraught with difficulties, it is thus necessary only after having acquired experiences from the point before we can proceed to work well on the surface. This is especially so in the case of large and medium-sized enterprises.

In addition, in the course of enforcing the optimizing of labor combination, the labor union and the youth league organs in the enterprise must actively develop various kinds of propaganda activities and do well the ideological political work among the staff members and workers. The enterprise's staff members' and workers' representatives congress should pay close attention to protecting the interests of the staff members and workers, reflect the cries of the staff, and take part in the assessment work in connection with the employment of new staff members. Inside an industrial enterprise, party organs at various levels should educate the large number of party members, help them to transform their ideas and improve their understanding and at the same time earnestly deepen their ideological political work. Party committee members of the enterprise, particularly the principal responsibility members of the party committee, must stand at the forefront of the reform to open up the road for the smooth progress of optimizing the labor combination as well as to display the role of supervision and assurance.

Comrade Zhao Ziyang has fully affirmed the role of optimizing labor combination. He said that undertaking the optimizing of labor combination is good and has an important significance. "If the problem of reform of the labor system is not solved, there is no way to talk about labor efficiency and benefits and other problems will be difficult to solve. Of the three big difficulties [reform of the commodity price, wages, and labor system], the one of key importance is reform of the labor system. If the labor productivity rate ascends, production is developed, there are good benefits, and there is a foundation for price reform and wage reform." We deeply believe that in the big wave of the reform, optimizing labor combination, like other reforms, will become daily perfected and its role will become increasingly clear before people.

TRANSPORTATION

Priority Railway Development Necessary To Reverse 'Crisis'

40060465c Beijing GUANGMING RIBAO in Chinese
19 Mar 89 p 2

[Article by Professors Xu Qingbin 6079 1987 2430, Su Jingzhi 5685 2417 0037, and Associate Professor Ma Peiji 8010 1014 1015 of the Northern Communications University: "China Needs To Make Railway Development a Priority"]

[Text] At the current time China's railway transportation is strained. China only has 52,600 km of railway, in amount of railway per capita it ranks lower than 100th in the world and ranks lower than 70th in the world based on the amount of railways in relation to the amount of territory a country occupies. However, it ranks third in the world in the converted turnover amount of passengers and freight moved by rail. It is almost equal to the amount of turnover in passengers and freight accomplished by the nearly 300,000 km of railways in the United States. This situation runs counter to the laws of science and exerts a heavy toll by causing overloading, puts equipment in danger, railways to rest on their laurels, and a lowered safety system. China's railways have already reached their limit of capabilities. The main lines can only satisfy 70 percent of the cargo transport volume requested by society and is only able to satisfy 50 percent of that going toward Shanghai and Guangdong. Passengers are booked solid daily with passenger trains being overbooked by 50 percent on the average and some reaching 100 percent overbooking. Each day there are 800,000 to 900,000 people that ride standing. Beijing and other large train stations have more than 10,000 people stranded daily because they are unable to purchase tickets. Another point is that railways have rigid and low transportation prices and are faced with flexible and high material prices. The relative income of railways is being reduced, expenses are increasing, and funds are becoming scarce which has led to nearly a fourth (12,900 km) of rail, half of the steam locomotives, and over 10,000 passenger and freight cars being used past their designated lifespan. Among the 1,000 passenger trains that run daily, there are 2,294 old passenger cars being used that were built from 1935 to 1936. How can this situation of having railways that are prone to breaking down and the overall strain on the railways not be considered a crisis! Some experts believe that the operation of China's current railway transportation is like balancing on a cable over a crater. This is not a mere exaggeration. For many years railways have desperately tried to "tap latent potentials" but have still hampered the national economy and experienced serious

accidents one after another which has already sounded an alarm for us. If we are not determined and do not adopt strong fundamental measures for railway construction, in the not too distant future we will receive a historical penalty and it will then be too late for talk about "mistakes" and "business expenses." Some comrades believe that after the 1960's highway transport in economically developed countries began playing the major role in overall transportation. Their meaning is that China does not need to exert a lot of energy in developing railways. We believe that this view is wrong.

Speaking of the 1960's, the national per capita income of the United States, Canada, Great Britain, France, and West Germany, based on prices at that time, showed the lowest at \$1,193 (France) and the highest at \$2,520 (United States), this is 5 to 10 times the national per capita income of China for 1987. In 1980 the lowest per capita income in developed countries was \$7,672 (Japan), and the highest being \$11,759 (West Germany). That same year China's per capita income was only 2.2 to 3.3 percent of that in developed countries. Economically developed countries almost without exception started reducing railway construction only when their national per capita production output value reached \$2,000. Why can not we just follow this simple example!

Economically developed countries usually had a solid material and technology foundation laid in their railway networks even to the point of saturation before they developed a lot of effort in developing advanced highways and civil aviation. Even with this there was still competition between the various forms of transport. It was not simply that one took the place of another but was for the mutual benefit and capacity of each. Between the years 1960 to 1980 the amount of cargo transported by U.S. railways increased to 501.71 billion ton-km but the amount of travelers decreased to 16.55 billion passenger-km. In overall cargo transport, railways still accounted for 37.24 percent, trucking 22.65 percent, water transport 16.42 percent, pipelines 23.44 percent, and 0.18 percent was by civil aviation. In U.S. passenger turnover, if we take out the private vehicles people use for personal travel (which accounts for about 80 percent of all passenger travel), then railways still account for a sizable ratio of specialized passenger travel.

Whether there should be a great historical development of China's railways, in the end, will be decided first in the initial stages of socialism, this stage is "a 100 years must pass before we basically realize industrialization." Looking from the point of view of the industrial structure, China's present energy resources and raw material industries have along way to go. It is difficult to give full play to our processing and manufacturing industries, and the new advanced technology industry can only follow along. You would not think we have comrades who think in the following fashion, "China is now in the precision work stage so the degree we rely on raw materials is decreasing," and therefore "the leading position of railways is undergoing and already experiencing some

wavering." The cargo transport product variety structure is a mirror of the national economic and industry structures. In 1987, unfinished products accounted for at least 70 percent of highway freight product varieties, and accounted for even more in railway and water transport. These figures show convincingly that the progress of China's industrialization has not entered into the so-called "precision work stage."

When discussing the national situation, the environment, natural resources, society, culture, and many other aspects should be considered. China is a country with a vast territory, from south to north and east to west it is a thousand km in length and breadth and its natural resources are located a long distance from the major processing areas. In spite of continual improvement in the transport structure because of changes in the amount and quality of transport needed, in the foreseeable future the key role of railroads in the comprehensive transportation system cannot be "improved" to an acceptable level.

Another national situation is the expanding consumption capacity and trend toward consumption in China. Even in a fairly long period of time China will not be able to realize sufficient short-range transport by car or long-range travel by air. The economic level determines the expanding population's desires in selecting means for transportation. The following are results from a survey conducted by the China Social Survey Institute in 1988 over 7 or 8 months and involving nearly 5,000 travelers: No matter if the expenses were paid by the state or privately, over 76 percent of people chose the train as their means of transportation. This trend cannot be easily ignored.

Railways have a large transport capacity, low costs, take up little land, are faster than water transport, and consume less energy than highway and aviation transport. These advantages of the railways have yet to be superseded by another form of transport. Railways can also use new technology (such as high-speed, layered railways, computer-controlled movement of trains, and so forth) to raise its capability to satisfy the required volume and quality demands of transport. In regard to energy consumption, during 1987 diesel locomotives consumed 25.9 kg of diesel for each 10,000 ton-km while vehicle transport used 554.8 kg of gasoline for each 10,000 ton-km, a difference of more than 20 fold. China's energy resources are extremely limited and should be especially treasured.

In summary, the state of crisis in China's railways and the national situation and strength determine that it should undergo a great historical development. Of course there must be coordination with highways, water transport, civil aviation, and pipelines in a unified plan. Only in this way can we reverse the crisis facing the entire communications and transportation system.

Guangdong-Shenzhen Railway Termed 'Inspiration'

40060465a Beijing RENMIN RIBAO in Chinese
28 Mar 89 p 5

[Article by Yang Peixin 2254 1014 2450, a researcher at the State Council's Research Center for Economic, Technical, and Social Development: "Inspiration From the 'Guangdong-Shenzhen Model'"]

[Text] Why was there a string of railway accidents in 1988? Why have the railway departments become a drag on the national economy? This has been created by China's big pot structure. Between the years of 1950 and 1985, railways turned over a total of 115.6 billion yuan in profits and taxes to the state while the state invested a total of 33 billion yuan back into the railways during the same period of time. The basic rate of depreciation for railways is 4 percent which is less than the national average of 5.1 percent for industrial enterprises.

In the 147 km from Guangdong to Shenzhen there are nine train stations; originally this line was a single track, had trains drawn by steam locomotives, backward equipment, and limited transport capacity. Our compatriots in Hong Kong and Macao all shook their heads and sighed at this railway; they looked at the motherland through this window and saw it as poor and backward. In March of 1983, Guangdong Province, the Hong Kong branch of XINHUA NEWS AGENCY, and the Ministry of Railways proposed to the State Council that the Guangdong-Shenzhen railway be transformed into a double track, and that an independent Guangdong-Shenzhen Railway Company be formed that would go into operation using railways to build railways in its overall economic contracting. The Guangdong-Shenzhen Railway Company was formed in 1984 and practiced the new system of having decisionmaking authority in management, being responsible for its own profits and losses, and being capable of self-reform and self-development. It not only handled transport management but also investments. The company not only conducted simple reproduction but also reproduction on an extended scale. 1) It had entirely independent accounting, the income from passengers and cargo was considered the company's income. It used this income to offset expenses and accounted for its own profits and losses. 2) The company practices a progressively increasing profit responsibility system, it started out with a base figure of 21 million yuan to be turned over to the state, this figure would increase by 2.32 percent annually. The remainder of profit can be accumulated by the company. 3) The amount of annual foreign exchange to be turned over is \$12.97 million, the entire amount over this can be kept by the company. 4) It has independent authority over investments and managements, including approval authority for the design of construction projects, project contracting authority, authority in construction loans, authority in how funds are used, authority to negotiate with foreign businesses, and authority to import equipment and technology. 5) Transport prices have increased by 50 percent.

The Guangdong-Shenzhen Railway Company does not require investment from the state, it relies on its own accumulated funds and funds brought in from Hong Kong and Macao. It completed construction of the double track using 580 million yuan of investment a full year ahead of the original plan, raised its overall transport capacity by 70 percent, and now basically meets the demand of passenger and cargo transport. Comparing the year of 1987 to the prereform year of 1983 shows that the passenger volume increased by 52 percent, an increase of 11 percent annually; cargo volume increased by 75.7 percent, an increase of 15.1 percent annually; income increased by 287 percent, a 40.2 percent increase annually, and an annual increase of 36.3 percent in actual profits; and the scope of foreign exchange increased a great deal showing an annual increase of 60 percent. The Guangdong-Shenzhen Company paid off its foreign loans, it repaid \$50 million annually. Its express passenger train is always full, service on the train is always good, and is known in the Guangdong Province as the "cultured train."

The Guangdong-Shenzhen model has inspired us, just by being good at mobilizing mass funds and foreign funds not only can we quickly develop railway enterprises but also quickly repay foreign loans. Using the "Guangdong-Shenzhen model" not only can we speed up railway construction in areas along the coast but also in energy resource bases in China's north and northeast and even throughout all of China.

The Guangdong-Shenzhen model is completely separate from the big pot system. Therefore railways should "cast off the hook" of public finance. Taxes, except for business taxes (should be reduced to the level of business taxes imposed on communications and post and telecommunications), should not be required on income when public finance does not provide funding for the railways. The adjusted income from railway transport prices should all go to the railway, public finance should not be entitled to a portion of it. In the past, eating from the big pot had railways getting a very lean bone. We should now compensate them and allow railways to develop independently with self-decisionmaking authority. In transport prices we can practice new prices for the new lines. Railway passenger and cargo transport prices should be reasonably adjusted but in the adjustment we should by all means not adopt the method of large-scale centralized price adjustment and getting to where we want to be in one step. To avoid alarming the public and to influence material price fluctuations, conduct a planned, gradual, and step-by-step readjustment within several years. The reason for readjustment of transport prices is to maintain reasonable railway expenses and self-development, it is not so the state can use this to make a profit to supplement public finance expenditures. Also the scope of price readjustment must not be enlarged in order for public financial income to be increased.

Dalian To Complete New Large Ship Berth Project by 1993

40060465b Beijing GUOJI SHANGBAO in Chinese
16 Mar 89 p 2

[Article by Guo Hui 6753 6540 and Fu Jing 4395 0079:
"Dalian To Build a 200,000-Ton Ship Berth; Strengthening and Opening Up Its Market"]

[Text] On 1 March the Dalian Shipyard and the Ministry of Communications' No 1 Shipping Bureau signed a contract to build a 200,000-ton ship berth that will open a new page in China's shipbuilding history. China will use a berth design of its own that can build a single ship of up to 300,000 tons or two 60,000 ton ships abreast. This will suit the newly developing and flourishing shipbuilding industry of China.

This ship berth is a key project of the Seventh 5-Year Plan. It will be located on the north side of Dalian Shipyard's new 100,000-ton semisunken slipway. It is designed as a 200,000-ton dry dock, but because of its increased width, length, and depth, a single ship in the 300,000-ton class can be built in this 365-meter-long, 80-meter-wide, and 12.7-meter-deep berth.

At the present time the international shipbuilding market is experiencing a depressed period. However, with the international situation showing a trend of relaxing along with development occurring in international economic trade, it is predicted that after 1992 the international shipbuilding industry will experience a boom period larger than any period of the past. With the Dalian Shipyard having this new berth, its annual shipbuilding tonnage capacity will be increased to between 760,000 and 790,000 tons.

This project is mainly being constructed with a \$34 million "black letter circulation [hei zi huan liu 7815 1316 6703 3177—reinvesting profits]" loan from Japan

and a 40 million renminbi loan from the State Council's Ministry of Machine Building and Electronics Export Office. The Ministry of Communications' No 1 Shipping Bureau obtained this construction job through domestic public bidding. The bureau's Dalian No 3 Navigational Company will be responsible for 70 percent of the principal construction of the berth. The project will adopt the method of having overlapping berth building and ship construction: The plan calls for the coffer-dam portion of the project to be completed by December of this year; by July of 1991 it will have the needed facilities in 200 meters of enclosed berth space from the west end ready for operation; the full length of the berth should be completed by October of 1992 in order to meet the plan requirements for the berth; and the entire project is to be finished by March of 1993.

AGRICULTURE

Beijing Cultivated Area

40060603f Beijing BEIJING RIBAO in Chinese
26 Apr 89 p 2

[Summary] In 1988 the cultivated area in Beijing totaled 6,161,000 mu, a decline of 2,958,000 mu from 1952.

Sichuan Rapeseed Area

40060603e Beijing NONGMIN RIBAO in Chinese
14 Apr 89 p 2

[Summary] Based on a survey of 54 rape-producing counties in Sichuan Province, in 1989 the area sown to rapeseed will be 11,900,000 mu.

Sichuan Tobacco Area

40060609a Beijing NONGMIN RIBAO in Chinese
5 Apr 89 p 2

[Summary] In 1989 the area sown to tobacco in Sichuan Province will be 2,610,000 mu, an increase of 680,000 mu over 1988.

Eulogy for Huang He Asserts Worth of Traditional Culture

40050363 Beijing QUNYUN [POPULAR TRIBUNE] in Chinese No 1, 1989 pp 11-13, 21

[Article by Chen Yuanhui 7115 0337 2547: "Inherit Traditional Culture Critically"]

[Text] In Praise of the Huang He

I was born and grew up on the east coast by the blue Pacific Ocean. Because the invading army of the Japanese militarists trampled upon my hometown, I went to the loess plateau to join the war of resistance. As soon as I reached the plateau, I heard the song "The Huang He Cantata," which eulogizes the river. Composed of eight movements, the song sings the praises of the Huang He, of the brave people on its two banks who stood up to the Japanese, and of their courage, hard work, and unequalled perseverance. This stirring song nursed a bitter hatred of the enemy in the hearts of the people on the two banks of the Huang He and encouraged them to keep up the struggle through the years until the Chinese people survived the disaster and stood up like a giant.

The Huang He should be extolled, as should the loess plateau through which it passes and the hard-working and courageous people who live on the plateau. Without the Huang He, without the nurturing by the people on the two banks of the river, there would have been no Eighth Route Army and no bases of resistance against the Japanese, not to mention the victory over them. The Huang He and the loess plateau have performed immortal feats in the nation's struggle against its enemy. What is more, they were the cradle of the Chinese nation, descendants of Emperor Huang Di and Emperor Yan Di, both of whom started out and rose to power by the Huang He on the plateau. The fact that the first ancestor of the nation is called Huang Di alone tells us something about his relationship with the Huang He valley. The culture of the Chinese nation also germinated on the plateau. Legend has it that Emperor Huang Di went to war against Chi You and invented the compass. It was then that the compass made a tremendous contribution to mankind. Legend also has it that Emperor Huang Di ordered Da Nao to make a cycle of 60 years, Cang Ji to invent the six categories of Chinese characters, Ling Lun to make bamboo pitch pipes, and Di Shou to invent mathematics. Emperor Huang Di also discussed medical matters with Qi Bai and wrote *Nei Jing*, the pioneering medical text. It is said that his wife, Luo Zu, bred silkworms to make silk. All these legends prove the ancientness of the Chinese civilization and that it began on the loess plateau. The Chinese nation was born on the loess plateau and it was there that it created the Chinese culture. The ancient culture created by the Chinese nation is affirmed and praised by the entire world. The descendants of Emperor Huang Di and Yan Di deserve such praises and should develop and further their culture if they are to be worthy of being called descendants of the two emperors. The yellow soil gave birth to the Chinese

culture and will continue to play a crucial role in furthering it. We must further the Chinese culture born on the yellow soil and should not forget our own origins. We must eulogize the Huang He and the loess plateau, instead of bewailing the time and singing the "Jiu Ge" at the Huang He, like Qu Yuan.

Loess Culture and Maritime Culture

Suppose we call the culture that originated in the Huang He basin a loess culture and the Western culture that arrived via the ocean maritime culture. Should we totally condemn and reject the former? Should we wholeheartedly extol and endorse the latter? To embrace or reject Western or Eastern cultures completely would be disastrous. Hasn't recent Chinese cultural history proved that point already? Zhang Zhidong advocated Chinese learning for its essence, Western learning for practical uses, effectively refusing to accept Western culture and science. After Zhang Zhidong, many people went to the other extreme and advocated Western learning for its essence and even wholesale Westernization. Even today there are still individuals who call for "Western learning for its essence, Chinese learning for practical purposes." Everything is good about the maritime culture and nothing is good about the loess culture. Isn't this a case of absolutism? In 256 BC, Li Bing designed the irrigation project at Duijiang weir. In 601 AD, Li Chun built the Zhaozhou Bridge. In the 11th century, Bi Sheng invented typeset printing. In 105 AD, Cai Lun invented papermaking. At the beginning of the Tang Dynasty, Sun Simiao wrote about gunpowder manufacturing in "Dan Jing." All these inventions and innovations stunned the Western world and contributed enormously to the development of Western culture. It was historically true that because feudal autocracy long opposed science and democracy, science, democracy, and education did not develop as far as they should. But by launching the long-range guided missile, detonating the atomic bomb and hydrogen bomb, and scoring achievements in biochemistry and genetic engineering, we have also won the admiration of Westerners. It is wrong for us to adopt an attitude of parochial arrogance toward Western culture, as feudal autocrats did in the past. Also wrong is to deceive oneself and feel inferior. People who are not motivated to improve themselves or who are shortsighted and of a poor moral quality usually feel this way.

The loess culture and maritime culture also differ in age. Certainly the maritime culture has some ancient elements, e.g., the Greek culture. Here we are concerned with modern Western culture. Previously some people favored the ancient and slighted the modern. Later the modern was favored at the expense of the ancient. Those who favored the ancient and slighted the modern were wrong, but those who did the opposite were not necessarily right either. To slight means more than paying less attention. It is also a derogatory term, suggesting rejection and disdain. But why should we look down upon and reject ancient culture? Culture implies continuity. It cannot be severed from history; you cannot wipe the

slate clean and start culture anew yourself. The right thing to do about ancient culture is to inherit it critically. People who reject traditional Chinese culture lock, stock, and barrel are cultural national nihilists and are harmful to the development of Chinese culture. Concerning the relationship between ancient and modern, Shi Tao, a painter who lived in the waning days of the Ming Dynasty and the beginning of the Qing Dynasty, suggested that we "use the past to open up the future." I agree with him completely. While he was referring to schools of painting, what he said can be applied to other cultural areas, including the relationship between modern culture and ancient culture. There are things in ancient culture that we can adopt to further modern culture. What Shi Tao said is even better than the expression "inherit critically" because one can inherit without developing. I also like this line from one of Du Fu's poems: "I love the ancients without slighting the moderns." We should love traditional Chinese culture without slighting modern Western culture.

The Patriots: Lin Zexu, Gong Zizhen, and Wei Yuan

Lin Zexu, Gong Zizhen, and Wei Yuan all lived at the end of the 18th century and were contemporary patriots. Lin Zexu presided over the ban on opium smoking and opium trade in Guangdong. To understand the conditions in Western nations, he had someone compile the *History of the Four Continents*, the first modern, systematic, and world-oriented study on world geography. Wei Yuan wrote a *Pictorial History of Maritime Nations*, an expansion of the *History of the Four Continents*. Wei Yuan wrote in the preface to his work that he was driven to write the book by a combination of determination and anxiety. He said that only when the countrymen made a determined effort and be concerned could they turn misfortune into a bliss, replace sleep with wakefulness, and turn what was unreal into reality. In short, only when people made a firm resolution and became concerned would they work with a will to make the country strong. A *Pictorial History of the Maritime Nations* was a work that oriented itself to the world and showed the writer's concern for the country and people, his determination to make the country strong, and his patriotism. As for Gong Zizhen, Wei Yuan wrote in the preface to Gong Zizhen's work *Collected Writings of Ding* that Gong Zizhen was "particularly fond of Western books in his old age," showing that Gong Zizhen supported using Western technology to revive China. When Lin Zexu was appointed imperial commissioner and sent to Guangdong to ban opium, Gong Zizhen wrote to him putting forward various suggestions. He supported the ban on opium and asked Lin Zexu to firmly resist any invading army. Gong Zizhen wrote a poem which includes the following line: "It is a sad situation as 10,000 horses stand muted. Qualified personnel are stifled. I pray to heaven to unleash a storm to energize us anew." Through this poem, which enjoyed immense popularity, Gong Zizhen expressed his unhappiness with the stagnation which prevailed in the imperial court of the Qing Dynasty from top to bottom, criticized a system that

stifled and hemmed in qualified personnel, and expressed the hope that a tempest would arise to sweep away all filth and break all shackles so that the country could be revitalized. These three historical figures—Lin Zexu, Gong Zizhen, and Wei Yuan—were all patriots respected by posterity for their courage to stand up to aggressors and expose and criticize the old regime. How can we dismiss as "ignorant" people who were the first to orient themselves to and understand the world? It was the likes of Emperor Dao Guang and Zhang Zhidong who were ignorant, not the patriots. Patriotism is the precious spiritual legacy bequeathed to us by our ancestors. One reason why this 5,000-year-old ancient nation has been able to remain in the ranks of powers is that we on the loess plateau have the spiritual wealth—patriotism—passed from generation to generation. How can we blame China's longstanding weakness on some scholars and noble-minded people? The culprits were feudal emperors.

Zhang Heng, Zhang Zhongjing, and Zhu Geliang: A Comparison

Zhang Heng, Zhang Zhongjing, and Zhu Geliang, three eminent figures whose glorious deeds light up Chinese history, all lived in Nanyang Prefecture, where today we can find the Wuhou Temple, the Temple of the Saintly Physician, and the tomb of Zhang Heng. After they died, these three people were treated very differently. Wuhou Temple is a cluster of pavilions, terraces, red-painted corridors, verdant pines, and green cypresses, exuding an air of grandeur and magnificence. Zhang Zhongjing Temple is more modest, while the tomb of Zhang Heng is shabby and deserted. Can we therefore conclude that the feudal system treated intellectuals differently from those who held official positions not only when they were alive, but also after they died? As a generalization, that is true. But in the case of these three figures, some detailed analysis is in order. All three held high-ranking positions. Kong Ming was appointed prime minister, made the marquis of Wuxiang, and given jurisdiction over Yizhou. Zhang Zhongjing attained the rank of "xiaolian" during the reign of Emperor Ling Di in the Eastern Han Dynasty and scaled the bureaucratic ladder, becoming magistrate of Changsha. He was appointed physician by Emperor An Di in the Eastern Han Dynasty. He then became "taishiling" and "shizhong." Early in the reign of Emperor Shun Di, he was appointed minister of Hejian and then became a high official. Zhang Heng too held a series of fairly senior positions. Why then did his tomb look so shabby? This is worth mulling over. We cannot consider Kong Ming the representative of officials and Zhang Heng the representative of scholars. Both men belonged to the "inner circle" of the imperial court. During the Five Dynasties, Wang Dingbao had this to say about Emperor Tang Taizong in *Tang Zhi Yan*: "He saw the new successful candidates of the highest imperial examination file by and said delightedly, 'The best and brightest of the world are now in my inner circle.'" Zhang Heng was a member of the "inner circle." That he was snubbed after his death is baffling. It

was not the emperors who treated Zhu Geliang with such rare honor, but the common people. We cannot but be filled with deep veneration when we come across these famous lines in Zhu Geliang's "Memorial to the Emperor before Despatching the Army": "I was originally a commoner making a modest living as a peasant in Nanyang." "I was given an appointment when our army was on the brink of defeat and entrusted with a mission at a critical and difficult moment." "In May we crossed Lu Jiang and penetrated deep into barren territory." In *Memorial to the Emperor after Despatching the Army*, he wrote, "I will give my all until my dying day," words that have become the motto of patriots through the ages. Thus Lu You, the famous poet of the Song Dynasty, said, "'Memorial to the Emperor' was unique in all history. It is far superior to Guan and Le." He also said, "'Memorial to the Emperor' is celebrated throughout history. What can be compared to it?" The work has not lost its moving quality over time. Zhang Heng wrote two articles entitled "Poem of the Western Capital" and "Poem of the Eastern Capital." Although both poems expressed his concern about the social crisis at the time and his appreciation of people power, they were less touching than the two "memorials." Besides they were written in a difficult language, which prevented their popularization. When it comes to creating an image through their writings, Zhang Heng was no match for Zhu Geliang. After the great poets of the Tang and Song dynasties eulogized Zhu Geliang's abiding loyalty and brilliant leadership, his image outshone that of Zhang Heng. We should mention in particular the works of such great poets as Du Fu of the Tang Dynasty and Lu You of the Song Dynasty. It was their works that shaped the popular image of Zhu Geliang. When we read *The Prime Minister of Shu* by Du Fu and *Visiting Zhu Ge Wuhou Terrace* by Lu You, we cannot but feel a profound respect for the man. The publication of *The Romance of the Three Kingdoms* by Luo Guanzhong in the latter part of the Yuan Dynasty and the beginning of the Ming Dynasty made Zhu Geliang a household word. More than *The History of the Three Kingdoms*, "Romance" made Zhu Geliang larger than life. There is a Wuhou Temple in Chengdu, Sichuan, as well as Nanyang, Henan. The "Prime Minister Temple" Du Fu wrote

about in *The Prime Minister of Shu* was in Chengdu, whereas the structure that Lu You mentioned in "Zhu Ge Wuhou Terrace" was in Gaiyang Daozhong. In addition, there are similar temples in several other places. The public built these temples because they admired the man, not as a response to any imperial incentives. Zhang Zhongjing, who wrote *On Diseases Caused by Harmful Cold Factors* and *An Outline of Jin Kui*, saved countless lives as a physician and was called the "saintly physician." In feudal times, it was believed by intellectuals that if a person could not make a good prime minister, he should be a good physician. A good prime minister put the state in order, a good physician cured people. A good physician enjoyed widespread respect. As an official historian, Zhang Heng devoted himself to the study of astronomy and calendar science. A well-known scientist of ancient China, he invented the famous celestial globe and the seismograph. These three figures all lived on the yellow soil in the Huang He basin in the feudal age. Are you suggesting we can learn nothing from them? Evidence abounds of feudal rulers trying to control and enslave intellectuals and keeping the people ignorant. Qin Shi Huang Di, for instance, buried scholars alive and Emperor Kang Xi and Emperor Yong Zheng imposed literary inquisition. Those who submitted prospered, those who resisted perished. But we must inherit and develop, not criticize and jettison, the spiritual and material civilizations created by intellectuals under the most adverse conditions. "Inherit critically" should continue to be our principle in cultural development. To integrate Chinese medicine with Western medicine and conduct cultural exchange between China and the West is also another important policy of ours. "The foreign moon is rounder than the Chinese moon" is more than a joke; it is an undercurrent lurking just beneath the surface. We should not grieve for the loess culture. Instead we should always remember these words: inherit, exchange, further, and develop. Add patriotism and optimism and the 5,000-year-old ancient nation founded by the descendants of Emperor Huang Di and Emperor Yan Di would stand tall among the powers of the world forever, mighty and wealthy, a New China that has achieved the four modernizations.

Preliminary Arguments in Favor of Expanding Arms Exports

40050416b Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in
Chinese No 1, 30 Jan 89 pp 9-12

[Article by Chen Hua 7115 5478: "A Preliminary Analysis of the Export of Chinese Military Goods"]

[Text] This paper attempts to explore some of the problems having to do with the question of exporting China's military goods with the hope of eliciting a more thorough study of this problem by foreign trade specialists.

We Urgently Need To Develop Exports of Military Products in Order To Establish a National Defense That Is Self-Sustaining

Because of instability in the international balance of powers, for a rather long time after the founding of the PRC, the state vigorously strengthened our national defense, to which cause it invested enormous quantities of manpower, materials, and funds. But this was different from general investment for construction in that not many direct economic results were generated. It was just as Marx had said, "Military expenditures are part of nonproduction expenditures, and from the point of view of a country's economy, they are like throwing a portion of capital into the river."¹ To build up a national defense in this manner is obviously purely consumptive.

Several decades then passed, and great changes occurred in the international balance of power; the new international situation was just forming, and many people felt that the chance of a large-scale world war breaking out in the short term was nowhere near as great as it had been. That being the case, if we were to continue with our buildup of national defense as we had been doing, continuing to strengthen our consumptive national defense, not only would there be no necessity for doing so, but our none-too-rich national economy would probably have great difficulty sustaining it. Faced with this new situation, the Central Committee promptly proposed that China's national defense reconstruction must change as quickly as possible from being consumptive to being self-sustaining. But how can we ably and effectively build this self-sustaining national defense?

Setting into motion the shift from military to civilian usage was a major policy taken by the Central Committee to build this self-sustaining national defense. After several years of experience, we have obtained certain important results. According to statistics, from 1980 through 1985, the production of civilian commodities by military industrial enterprises grew at an annual rate of 40 percent. But behind this remarkable number lies a series of thorny problems.

First, the change in production for military industrial enterprises to that of civilian commodities was primarily to serve domestic markets, conditions for which are not that great. For the truly powerful military industrial enterprises to manufacture civilian goods and to then compete in the domestic markets with the existing civilian goods enterprises is not only a sharp source of conflict between the military and civilian enterprises, but is also an increasingly sore point between the military-industrial enterprises and the local governments and civilian goods sectors. To safeguard their own profits, the latter parties have regularly been uncooperative, unsupportive, and unencouraging as the former has produced civilian commodities, from which has emerged the difficult situation where the production of civilian goods by the military-industrial enterprises is such that "planning isn't accounted for, industries are not contained within their proper sectors, materials provision has no certain access, funding sources cannot be matched to need, and product marketing is confused." According to statistics from authorities, a third of the national defense enterprises still have no mainstay civilian commodity and, thus, the economic results for them have not been outstanding.²

Second, even when those military industrial enterprises oriented toward international markets change to producing civilian goods, their prospects for development are hardly optimistic. Competition within the international markets is not the same as that domestically. If we say that there is a definite advantage for military-industrial enterprises over normal civilian enterprises, then when they go into competition with various firms in the international civilian goods markets, they will still probably be somewhat inferior. What is more, China's military-industrial enterprises have been working at production of military goods for quite some time, their information about the international markets for civilian goods is not fresh, and channels are not open to them, which effectively emphasizes shortcomings, and which will make it difficult to realize great results for some time. Actually, export volume of civilian goods for four sectors of the national defense industry in 1987 were no more than some \$100 million, pitifully small.

Third, if the proportion of civilian goods produced by the military industrial enterprises is too great, that is bound to affect China's capacity production of military goods, and if there were to be a sudden large-scale invasion, the results would be unthinkable. We know that building a self-sustaining national defense is to place "national defense" at the forefront and "self-sustenance" in second place, and if these two positions are reversed, that clearly would be to lose more than we gain.

For this reason, to depend merely on the strategy of shifting military production to civilian production would not be sufficient to build up our self-sustaining national defense, because this policy itself contains too many limitations and deficiencies.

Well, then, what options have we?

On this point, I would like to propose a different route, namely: to optimize the manufacture of military goods, improve the quality of military goods, find more outlets for the export of military goods, and occupy a share of the international military goods market.

The fundamental criteria for this are:

First, military-industrial enterprises have exerted great efforts at the production of military goods, and if we were to find new opportunities in international markets for military goods, we would avoid the strife and confusion created in domestic markets by the shift to production of civilian goods, and this would aid in improving relations between the military and civilian sectors.

Second, if the military-industrial enterprises can find new opportunities in the international markets for military goods, they would obviously be starting from an advantageous position, they could make the most of their strongpoints, and this would undoubtedly be more effective and easier than shortsightedly marching into the international markets for civilian goods.

Third, if the military industrial enterprises exploit possibilities in the international markets for military goods, they can alleviate the tremendous pressure on the production and marketing of military goods by military-industrial enterprises due to an abrupt lessening of demand for military goods domestically in recent years, and we would earn foreign exchange and realize our goal of self-sustenance.

Fourth, if the military-industrial enterprises can make inroads in international markets for military goods, this could allow us to maintain sufficient capacity for production of military goods, and if large-scale warfare should suddenly break out, we would be in a good position as far as the provision of armaments is concerned, meeting our goal of protecting our country.

Fifth, by seeking new possibilities in the international markets for military goods, we could correct the very confusing situation that has grown up as the military-industrial enterprises have turned to the production of civilian goods. The questions of military or civilian and internal or external would be resolved in accordance with each unique situation, which would both help with unified planning that takes everything into consideration and improve the overall economic results for China's national defense industries.

To summarize: it will be very difficult to build a self-sustaining national defense by relying solely on the strategy of shifting the military to the civilian. But if we simultaneously implement a strategy of exporting military goods and seek to expand those exports, we could greatly benefit the eventual completion of a self-sustaining model for China's national defense.

Opening Up Possibilities for the Export of Military Goods Would Be an Effective Way To Enlarge China's Earning of Foreign Exchange Through Exports

China's current scale of foreign-exchange receipts from exports is not in keeping with our national strength. There are many reasons for this, but we cannot ignore two primary factors: one, the rate at which we generate foreign exchange from exports is not high; and two, the commodity structures of our exports are obsolete. Opening new possibilities for the export of military goods would aid in solving these two problems.

First, the export of military goods earns a higher rate of foreign exchange. The primary limiting factor on the rate of that foreign exchange earning is the price of the exports, and when other conditions do not change, the higher the price of exports, the better the rate at which exports generate foreign exchange. The export prices of military goods are quite a bit higher than those for ordinary commodities. We know that under ordinary circumstances, the prices of ordinary commodities are largely tied to their intrinsic value. Even when there is fluctuation, those prices do not vary greatly. But it is not that way for military goods. Because of the unique usage value of military goods and because of the incomplete nature of international markets for military goods that this creates, the prices of military goods belong to special monopoly prices, which are typically greater than their value. For example, in 1974 an economic crisis had engulfed the capitalist world, and commodity prices on international markets fell everywhere. But the price of the U.S.-exported F-14 military aircraft doubled. Selling one aircraft was the equivalent of exporting 1,000 automobiles, and the extent of this deviation of price from value left people speechless. This kind of situation was all the more apparent after World War II; for example, the price of a fighter aircraft during the 1950's was \$1 million, \$3-4 million during the 1960's, and rising to \$8 million by the end of the 1970's; another example is that, whereas before the war each American tank sold for \$54,000, each rifle for \$60, each antitank launcher for \$100, each submarine for more than \$5 million, and each aircraft carrier for \$55 million, by the mid-1980's those prices had risen to more than \$1 million, \$150, \$8,600, \$350 million, and \$2.5 billion,³ their price inflation being far ahead of that for ordinary commodities. According to statistics from Soviet munitions experts, the average profit from the sales of military goods was 25 percent and higher. Therefore, the level of profits from the export of military goods will clearly be greater than for ordinary commodities, and expansion of military exports will aid in improving the overall rate of generation of foreign exchange for China from the export of commodities.

Second, an expansion of exports of military goods will help improve China's export structure. Largely through rapid expansion of textile product exports, the proportion of manufactured goods among our export commodities in recent years has clearly increased, but the majority are rough-processed manufactured goods because

exporting finely processed manufactured goods is still proving difficult. The lack of finely processed manufactured goods exports is the most important characteristic of the current backward state of China's commodity-export structure, and a long-term deemphasis on expanding exports of military goods as a factor leading to this situation cannot be ignored. We can see from the real situation in China that there is a much greater gap between Chinese civilian technologies and those of developed countries than there is between our military technologies and those of developed countries. It would undoubtedly be much more difficult to expand the export of finely processed civilian manufactured goods than to open up the export of military goods. Military products are largely manufactured products, the technological component is quite high, the majority may be called finely processed manufactured products, and many are leading-edge high-technology products. Expanding the export of U.S. military goods would be of important significance for effecting the change in China's export structures from elementary products to manufactured products, from roughly processed manufactured products to finely processed manufactured products.

We can see from what we have looked at so far that an expansion of the export of military goods could certainly play an important role in increasing foreign exchange income. Many countries in the world consider an expansion of the export of military goods to be an important means by which to increase income from foreign exchange, to supplement deficits in foreign trade, and to alleviate financial deficits.

Before the 1960's, U.S. munitions' deliveries were largely gifts, but by the 1970's, commercial arms exports leaped to 95 percent and more of total export volume. The primary reason for this was the steadily worsening foreign trade situation for the United States at the time, when enormous imbalances were appearing year after year, and financial deficits were also constantly increasing. Arms exports became an important means for making up those imbalances and for reducing deficits, and their efficacy was quite apparent.

Similarly, income from arms trade in France during the 1960's subsidized one-fifth of their huge oil-import expense, and this rose from one-fourth to one-third during the 1970's and 1980's. Beginning during the mid-1970's, annual weapons exports from France brought in profits of nearly 10 billion French francs, which supplemented to a great extent the regular annual French financial deficit of more than 10 billion French francs.

Therefore, since China is still suffering a foreign trade imbalance and our financial deficits are also significant, why can we not treat an expansion of export of military goods as an important means by which to make up for the imbalance and reduce the deficit?

Opening Up China's Arms Exports Is Possible

First, the capacities of world markets for military goods is considerable. Postwar world trade in military goods has grown from little to a great deal and has done so rapidly. Especially after the onset of the 1970's, the growth in world trade of military goods began to exceed the growth rate of other world industries, and the proportion of the volume of international armaments trade in world trade in general has risen abruptly, which shows the tremendous potential for these international military goods markets. The following two points can explain this somewhat: first, the quantity of armaments and equipment newly purchased each year by all countries of the world is enormous and constitutes a shocking sum. To take military aircraft as an example, the U.S. Defense Department buys about 700-800 military aircraft each year, the Soviet Union will add nearly 1,000 annually, each of the West European countries adds about 50-100 military aircraft each year, and Asian countries such as India, Palestine, Iran, Iraq, and Saudi Arabia also buy dozens of military aircraft.⁴ To buy 50 F-18 fighters, together with engines, externally mounted missiles and other components, would require about \$20 billion; second, local wars have erupted continually one after the other since World War II, and this has led to great consumption of armaments and equipment. For example, during the first 3 days of the fourth Middle East war, the total number of tactical missiles fired by both sides was equivalent to the total arsenal of NATO in Europe; during 18 days of fighting, both sides lost a total of 3,390 tanks, some 1,000 more than the United States had in Europe at the time; and 560 aircraft were lost, which was the same number that the United States had deployed in Europe. Israel had stockpiled 100,000 tons of ammunition before the war, which it had nearly exhausted in fewer than 20 days. We can imagine that to quickly and expeditiously supplement consumption of arms at this magnitude is impossible by reliance solely on domestic supply, and thus must depend on supplies from other countries, which need has given rise to the international demand for military goods.

Second, the actual accomplishments of many countries of the world in the export of military goods is a great stimulus for us. Since World War II, many countries throughout the world, be they socialist or capitalist, have not abandoned the cause of the export of military goods, but have instead constantly expanded their scale of operation, benefiting greatly from this.

In 1980 the United States sold arms to more than 100 countries and areas of the world at a volume of \$14 billion; according to statistics from the U.S. Department of Defense, military goods exported to Third World countries alone from 1977 through 1982 by the Soviet Union accounted for nearly \$30 billion. Figures provided by the famous International Peace Institute of Stockholm for 1980 prove that of the entire military production of France, 55-60 percent was exported.⁵ On 7 Sep 1987, the British Government publicly announced

that it had exported \$8 billion in arms during 1986, ranking third in the world; and the Third World country, Brazil, with a real economic power no greater than that of China had arms exports of \$2 billion in 1986, for fifth place in the world.⁶

Therefore, for so many nations to have achieved this much in the area of arms exports and to have earned so much foreign exchange means that a country as great as ours is completely capable of operating in this arena.

Third, China has a stronger research, development, and production capacity for military goods. Since the founding of the PRC, we have instituted strategies and policies for our national defense industries that are preferential and supportive, we have undertaken large-scale funding, a large group of our national talent is concentrated in these industries, and they have continued to be responsible for the tremendous accomplishments of which everyone is aware. The industries have constituted a modern military industrial system that is technologically quite advanced, and this has provided a substantial material premise by which to explore new possibilities for China's export of military goods.

For some decades now, the national defense science and technology industries in China have joined with relevant sectors to develop more than 13,000 new materials and 16,000 military electromechanical products. During the period of the Sixth 5-Year Plan alone, the military-industrial system in China won more than 300 awards for inventions exclusive to national defense science and technology, more than 500 national-level prizes for advances in science and technology, and 11 national awards for the natural sciences, which shows an uncommon real ability in science and technology.

Especially after the cutting of forces by 1 million, we were able to transfer even more funds and skilled personnel into the development and production of cutting-edge and new-materials weapons and equipment, which

has hastened the upgrading and updating of China's military commodities and has strengthened our capacity to compete internationally in military goods.

In summation, there is an internal objective necessity and practical possibility for opening up China's export of military goods, but people have mentioned that expanding exports of military goods would probably hurt our diplomatic efforts. It is my opinion that under the unified coordination and guidance of the Central Committee, which would correctly handle foreign trade and diplomatic relations in regard to the export of military goods, this problem should not be difficult to deal with.

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EAST REGION

Jiangsu Deputies Call for Better Conditions for Intellectuals

40050481 Beijing GUANGMING RIBAO in Chinese
1 Apr 89 p 1

[Article by staff reporters Xia Xin 1115 2946 and Wu Qinying 2976 0530 5391: "More Comments on Improving Treatment of Intellectuals"]

[Text] "Intellectuals are poorly paid." "The problem of inverted pay standards for mental and physical workers is far from being solved." These old topics were again brought up by some of the NPC deputies from Jiangsu Province. They spoke without reserve. Their views differed. Some came up with rather new ideas.

A Breakthrough Is Needed

Qu Qinyue [2575 2953 1471], member of the State Council's academic degree committee and president of Nanjing University, held that it is not right to keep comparing teachers' wages with other trades as an excuse for not increasing their total income, and that the minimum wage for teachers must be raised. While keeping teaching, basic scientific research, and departments serving teaching and basic research free from involvement, Nanjing University has in the past few years launched a scientific and technological service operation and used its earnings to supplement teachers' income. It has been a real success. However, President Qu insisted that to increase the wage income of intellectuals, we should rely mainly on the state. Just a raise to the next higher pay grade will not make much difference. A greater breakthrough must be made courageously. He said: "Every time it is suggested to substantially increase the wage at the associate professor level, many people fear that it would create contradictions. But without such a breakthrough, there is no way to achieve a dynamic balance. Now, wages have remained unchanged, but the award of job titles has been liberalized. So everyone is going after job titles, and titles have been given indiscriminately. Associate professors are now a dime a dozen, and even the professor title is in danger of being abused."

The Key Lies in Solving the Inequities in Social Distribution

Lu Wenfu [7120 2429 1133], NPC deputy and vice chairman of the China Writers Association, felt that the expression "inverted pay standards for mental and physical workers" is not very clear and to the point. He understood that to most people it means that mental workers are not as well paid as some physical workers, especially those who work on their own. This condition is often caused by defects in the management system and policy mistakes. Not so many peddlers get rich in foreign countries. Many other deputies felt the same way about the inequities in social distribution.

Li Jilin [2621 0679 2651], NPC deputy and teacher of a special classification at the Second Affiliated Primary School of the Nantong Teachers College, said: "During the NPC session last year, I said when interviewed by a reporter that although a teacher leads a life of poverty, he is rich and fulfilled spiritually. For that remark, I received a letter signed by more than 10 young school teachers, which said, 'in real life, we have not felt the kind of richness you talked about...' The letter made me very sad. With our meager income and humble social status, we can no longer feel the nobility of our profession." She cited examples of unreasonable treatment of teachers: The principal of a key provincial primary school works daily from the morning exercises till everyone else has left the school in the evening, as both a mental and a physical laborer, but his administrative pay grade is only that of a deputy section chief. When a primary school teacher completes his probationary period and becomes a full-fledged teacher, he is paid the wage of a grade-3 primary school teacher, and this "grade-3 primary school teacher" is lower than the lowest grade of any other occupations in the consolidated job classification table. Similarly, the best of middle and primary school teachers, after a lifetime of dedicated service, can at most be given the title of "senior middle school teacher" (equivalent to an associate professor). In other institutions, some subsidies are appropriated by the financial departments, but middle and primary schools can only get the money from school-run factories or companies.

Zeng Huapeng [2582 5478 7720], NPC deputy and chairman and professor of the Chinese Department of the Yangzhou Teachers College, also said with emotion: Teachers colleges and schools have no way to make money, and their teachers' income is obviously lower than other professions. To this day teachers of senior normal schools and education colleges cannot even earn length-of-service allowances. Professors haven't been given a pay raise for decades. Their living standard is sliding from a fairly comfortable level down to a subsistence level.

However, these are not what puzzles the teachers the most. Li Jilin said: Teachers can understand the financial difficulties of the state, but they cannot understand how it is so easy for some people to put large amounts of the state's money into their own pockets. For example, some people can make several thousand yuan by singing a song, or receive a large commission by making a few phone calls. Without needed policies and a sound legal system, it is impossible to ban illicit incomes (such as tax evasion). These phenomena of unfairness in social distribution are getting worse all the time. How can we begin to talk about improving treatment of intellectuals?

Deputies Qu Qinyue, Li Jilin, Zeng Huapeng, and others recognized the need for the teaching force to constantly improve itself. At the moment, however, the most important thing is to find a way for this profession to keep and attract people. They said that the teaching

profession should be made so attractive that people would take the teacher qualification test as eagerly as they now take the Test of English as a Foreign Language (TOEFL), and that even children of senior cadres would want to be teachers.

Evaluation System Linking Wages With Work Performance Should Be Established

Yu Zhenxin [5713 2182 2450], NPC deputy and mayor of Yangzhou City, an intellectual, held that the treatment of intellectuals is a rather complicated problem, and that the general characterization of "inverted pay standards for mental and physical workers" may not be right. People are unhappy mainly because of the official profiteering activities and because of the inequities in social distribution, like the kickbacks at every level in the circulation system. On "improving the treatment of intellectuals," he gave his views from a different angle.

"As far as scientists and technicians are concerned, their intelligence and contributions are ultimately embodied in products. Therefore, to realize their own value, scientists and technicians must try to turn results of their research into productive forces as quickly as possible, and the government's role is to create opportunities and conditions for them to do so. In addition to rewards for exceptional contributions, it is also necessary to establish a whole set of evaluation systems linking wages with work performance. At present, salesmen make more money than inventors and researchers, and selling books pays more than writing them, which are, of course,

unreasonable. However, scientists and technicians should not just complain about treatment, while continuing to avoid the market in choosing research projects. Intellectuals in some leading scientific and technological enterprises enjoy higher status and better pay, because they constantly prove to the enterprises by turning their technological achievements into new products that without new products and without scientists and technicians the enterprises cannot survive."

Zhou Er [6650 3799], NPC deputy and chairman of the Changzhou Municipal Science and Technology Commission, suggested that in addition to increasing the wages for intellectuals, ways should be found at some specific links to reward them for their labor and contributions. For example, a general award fund should be set up to pay cash awards for scientific research projects which are completed within enterprises and cannot be transferred. Those contracting for state scientific research projects should also be awarded with money set aside from the project funds after completion of the projects.

In short, to alleviate the "inverted pay standards for mental and physical workers," it is also necessary to turn the highly centralized administrative system into a classified and stratified management system, and the single planned distribution mechanism into a socially regulated mechanism under planned guidance, so that individual institutions will have the power to make microeconomic decisions about distribution. Moreover, it is important to say less and do more. As some deputies put it, "avoid anything which only looks good but has no practical value."

**Comments on Interrelationship Between
Mainland, Taiwan, Hong Kong**

40050394 Shanghai SHIJIE JINGJI DAOBAO in
Chinese 20 Feb 89 p 13

[Text] Recently, YUANJIAN [GLOBAL VIEWS] magazine of Taiwan published an article by Chen Ping [7115 1627], former president of the Economics Association of Chinese Students in America, in which Chen presented his thoughts on the magazine's special issue on the mainland and an analysis of several aspects of the interrelationship between the mainland, Taiwan, and Hong Kong.

Limitations of Mainland Intellectuals

Newton once said that he could see farther because he stood on the shoulders of giants. Chen Ping believes that the crucial reason why modern Chinese have not been able to achieve a higher level of intellectual development is that Chinese thinkers, though intelligent and commendably courageous, have been too bound up with China's affairs and have approached the rest of the world from too low an understanding of that world. Or perhaps it is that Chinese thinkers are too swayed by their own personal feelings and overthrow their giants, so that when they go to stand on their giants, the highest they get is a stomach. Otherwise, they worship their giants, kneeling at the giants' feet, and even if they master the giants' doctrines, it is impossible for them to achieve their greatness. And some thinkers are ignorant and ill-informed, lack virtuous worthies to emulate, and have to start from scratch, thus repeating the process. Even more, young intellectuals do not know where to find their "sages" or they lack any place to seek help and learning. Chen Ping thoughtfully noted that mainland thinkers remain at the level of the enlightenment movement and argued that "modern Chinese have wasted much too much time." The aforementioned [shortcomings] probably can be used as footnotes to this "wastage of time."

Leaders of the enlightenment movement do not know much about the world, yet are supremely self-confident—defects that seem to be common to our generation. Chen believes that there are two attitudes that mainlanders have the most difficulty overcoming: eagerness for instant success and failing to get the rapid results they desire; and doubting everything—except themselves.

If the gap between the mainland and the rest of the world in the humanities and the social sciences is to be reduced, we need much more criticism like Chen's so as to improve the standards of mainland academics.

A Multiangle Comparison of the Mainland and Taiwan

Chen Ping made a fascinating analysis of Taiwan people's attitudes toward the mainland. Taiwan has long compared her strengths to others' weaknesses. This practice has given Taiwan a sanctimonious sense of superiority and overly great expectations concerning its ability

to "influence the mainland." Hong Kong compares its weaknesses against others' strengths, and this makes Hong Kong feel helpless and lost. Thus the expressed hope that Taiwan and Hong Kong should first put their own houses in order is a very good point.

On the issue of how to compare the mainland, Taiwan, and Hong Kong, if one uses the methodology of comparative economics and examines things by distinguishing market and planned economy, then Taiwan approximates the Hong Kong model; if one uses the methodology of comparative politics and examines things by distinguishing democratic and authoritarian politics, then Taiwan is more akin to the mainland. As for individual rights, though approximating individualism, Hong Kong still differs from attitudes held by British and Americans. Taiwan places more emphasis on security than on freedom and thus is closer to the ethical stand of the mainland.

Multi-angled comparison helps us both to understand real problems and to better judge the future.

Can Taiwan and Hong Kong Play the Role of Ancient Greece?

In returning his analysis to the mainland, Chen had been perplexed by the problem of "comparing Chinese and Western culture" and that the more he compared, the more he felt that China's problems were numerous and insoluble. After he went abroad and met people from other nations, he discovered that possibly the issue was improperly formulated.

From the perspective of comparative history, the concept of "Chinese and Western culture" stems from the clash of two narrow concepts, "China centeredness" and "Western centeredness." But in fact we confront a multicentered world, and both strengthening and weakening result from the conflict among and evolution of various forces. Ancient Greece was composed of commercial and seafaring city states, which, though no match for the Roman armies, were able culturally to influence Western Europe through the expansion of the Roman Empire, and thus their culture became an important component of Western civilization. In Chinese history, the economic and cultural center gradually shifted from the Huang He valley to the Chang Jiang valley, a shift that has become even more marked with the recent policy of opening up to the outside world. Strengthening of economic ties between the mainland and Hong Kong and Taiwan would raise the economic status of Guangdong and Fujian. The future unification of China presumably could never lead to the domination of mainland politics by senior leaders of the Guomindang. But the entrepreneurs and administrators from Taiwan and Hong Kong might be able to play economic management roles similar to the ones that Shanghainese do in the mainland economy.

Agricultural Culture, Which Wears a Mask

From British and American perspectives, Chinese politics must appear confusing and complicated. Consider for example the fact that China was perfectly entitled to war reparations and should have taken them but did not, yet thereafter griped that the capitalistic country [owing the reparations] did not repay kindness and instead is interested only in making money. While American-Soviet negotiations are conducted in plain, straightforward language, Chinese disputes play out like Beijing opera, Chinese dress up their interests as banners, and what they sing and what they do are totally different.

Some of the principles that are hotly disputed by the two sides of the Taiwan Strait are in fact neither philosophical nor political, nor can they be handled legislatively. This fact illustrates the difference between Chinese and Western cultures: In commercial cultures, success is achieved through innovation, and old goods must be dressed up in different clothing; but in agricultural cultures, the old is orthodox, and new wine must be packaged in old bottles before it can be sold.

China's Future Lies with the Mainland

Chen Ping believes that China's future lies with the mainland, that the hope of the mainland lies in reform, that the fate of reform lies in opening up to the outside world, and that the active chess piece in opening up is Taiwan. To understand Taiwan's positive and negative experience in development, Chen thinks that the writings of Taiwan scholars can be used and mainlanders studying abroad and Hong Kong scholars can be invited to visit Taiwan separately; but if the three sides of the family can get together for consultations, we can probably advance even further.

The best way to test the Taiwan experience is to have Taiwan economic aces and astute mainlanders work together to set up companies, open a university, or rule a locality together as an experiment and extend such experiments if they prove successful. Of course, such experiments should be carried out by private citizens, and official agencies must also lend support.